

Required Minimum Distributions (RMDs)

What is a RMD?

Required Minimum Distributions (RMDs) are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 72 (70 ½ if you reach 70 ½ before January 1, 2020), or if later, the year in which he or she retires. However, if the retirement plan account is an IRA or the account owner is a 5% or more owner of the business sponsoring the retirement plan, the RMDs must begin regardless of whether he or she is still working.

Retirement plan participants and IRA owners are responsible for taking the correct amount of RMDs on time every year from their accounts. You may have to pay a 50% excise tax penalty on the amount not distributed as required.

The RMD rules apply to all employer sponsored retirement plans, including profit-sharing plans, 401(k) plans, 403(b) plans, and 457(b) plans. The RMD rules also apply to traditional IRAs, IRA-based plans and Roth 401(k) accounts. However, the RMD rules do not apply to Roth IRAs while the owner is alive.

When am I required to begin taking RMDs?

You must take your first required minimum distribution for the year in which you turn age 72 (70 ½ if you reach 70 ½ before January 1, 2020). If you reach 70½ in 2020, you will have to take your first RMD by April 1 of the year after you reach the age of 72. For all subsequent years you must take the RMD annually by December 31. If you delay your first RMD distribution until April 1 of the year following the year in which you turn 72, you will be required to take a second RMD by December 31 of that same year. All years thereafter will only require one RMD to be taken.

What are my options for taking my RMD?

Your retirement plan will designate if you have the ability to take this in one lump-sum annually or in installments through the year; please check with your Plan Administrator for details on this. If you have money in more than one plan, you must take the RMD from each plan separately (qualified plans and IRAs have different rules). RMD's are not eligible to be rolled over into another plan or IRA account.

How is my RMD calculated?

The required minimum distribution is determined by taking the prior account balance as of December 31 and divided by a life expectancy factor published by the IRS. You may access worksheets and tables on the IRS website at: <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions>. Your Plan Administrator may provide you the current RMD amount however the account owner is ultimately responsible for calculating and taking the RMD.