

## IRA Required Minimum Distributions (RMDs) Quick Reference Guide

You have planned for retirement by taking advantage of opportunities to save during your working years either through your workplace retirement account or an IRA. At some point, though, the IRS mandates that you begin to draw down some of your retirement accounts and Traditional IRAs each year. This guide focuses on IRAs, but the same general rules apply to workplace retirement accounts like 401(k) plans, Thrift Savings Plans and 403(b) plans. In some cases, if you continue to work, you may be able to delay required minimum distributions (RMDs) from your employer's retirement plan beyond the age at which they would normally begin. You should consult your plan to learn more.

What is most important to know is that, once you are subject to RMDs, you must satisfy the amount each year to avoid paying a penalty. It is best to plan ahead and work with a qualified team of financial and tax professionals to make sure you have your bases covered.

### LIFETIME REQUIRED MINIMUM DISTRIBUTION GLOSSARY OF TERMS

#### Required Minimum Distribution (RMD)<sup>1</sup>:

the amount that must be withdrawn each year from your Traditional IRAs, including Simplified Employee Pension Plans (SEPs) and SIMPLE IRAs. The amount that must be distributed is based on your attained age for the calendar year and a life expectancy factor based on that age.

#### Required Beginning Date (RBD)<sup>2</sup>:

You must generally begin receiving required minimum distributions by April 1st of the year following the year you reach the applicable age, as indicated below.

- 70 ½ if you were born before July 1, 1949.
- 72 if you were born after Jun 30, 1949, but before 1951.
- 73 if you were born after 1950 but before 1960.
- 75 if you were born in 1960 or later.

All subsequent RMDs after the initial year must be withdrawn by December 31st of the calendar year for which they are due.

\*Roth IRAs are not subject to lifetime RMDs.

#### Hypothetical Example:

*Mr. Jones was born on August 2, 1951. His required beginning date is April 1, 2025 as he will turn age 73 in 2024. If Mr. Jones chooses to take his first RMD between January 1, 2025 and April 1, 2025, he will be required to take two RMDs in 2025, as he will also need to satisfy the RMD for calendar year 2025 by 12/31/25. Mr. Jones, instead, could elect to take his first RMD by 12/31/24 when he attains age 73 to avoid two taxable distributions in 2025.*

#### IRA Account Balance:

The amount that is in the IRA as of December 31st of the year preceding the year for which the RMD is being determined.

**Permissive Aggregation:** If more than one Traditional IRA is owned (not including Inherited IRAs), first calculate the RMD for each IRA. The total RMD may then be satisfied from any one or more of the IRAs owned. Multiple Inherited IRAs may also satisfy the total RMD amount due from one or more of the IRAs inherited by the same decedent.

### **Hypothetical Example:**

*75-year-old Ms. Franklin owns 2 Traditional IRAs. Her RMDs for IRA 1 and IRA 2 for this year are \$5,422 and \$4,300, respectively. She may elect to satisfy each RMD separately or she may combine the total RMDs due and withdraw the total from either account in combination so long as the entire RMD of \$9,722 is satisfied by the end of the year.*

**Excess Accumulation Penalty:** If you fail to take the full amount of your RMD for a year, you may be subject to a 25% excise tax on the amount that was not distributed as required. The penalty may be reduced to as low as 10% if the amount is timely corrected.<sup>3</sup>

### **LIFE EXPECTANCY TABLES FOR LIFETIME RMDs**

#### **Uniform Lifetime Table (2022) – refer to Chart A below:**

The life expectancy table to be used to calculate lifetime RMDs for most IRA owners, unless the spouse is the sole designated beneficiary for the entire year and is more than 10 years younger than the IRA owner. The table may be found in IRS Publication 590-B In Appendix B under Table III (Uniform Lifetime).

#### **Joint Life and Last Survivor Expectancy Table (2022):**

The life expectancy to be used to calculate lifetime RMDs only when the IRA owner's spouse is the sole beneficiary for the year and the spouse is more than 10 years younger than the owner. This table may be found in IRS Publication 590-B as Table II.

### **CALCULATING YOUR REQUIRED MINIMUM DISTRIBUTION**

Divide the prior year end IRA account balance of each IRA you own, excluding Roth IRAs, by the applicable divisor found in the appropriate life expectancy table using your attained age in the year for which the RMD is due.

**STEP 1:** Obtain the prior December 31st balance(s) for each IRA you own. This information is reported to you annually by your IRA provider on IRS Form 5498 or you can request the information from your IRA provider directly.

**STEP 2:** Is your sole beneficiary your spouse who is more than 10 years younger than you? (Your marital status is determined as of January 1st of the year).<sup>4</sup>

#### **YES OR NO**

**IF NO,** refer to the Uniform Lifetime Table below and use the life expectancy divisor that corresponds to your age as of December 31st of the current year.

**IF YES,** refer to the Joint Life and Last Survivor Expectancy table found in IRS Publication 590-B Table II in Appendix B here <https://www.irs.gov/pub/irs-pdf/p590b.pdf> using your age and the age of your spouse as of December 31st of the RMD.

**STEP 3:** Divide the prior year end IRA account balance of each IRA owned by the divisor found in the appropriate life expectancy table using your attained age in the year for which the RMD is due. This is your RMD amount and must be withdrawn no later than by December 31st of the applicable year, unless it is your first year and you have elected to satisfy the first RMD by April 1st of the following year.

### **Hypothetical Example:**

*Mr. Pierson, born August 15, 1948, has an IRA with a 2022 year-end balance of \$154,922. Mr. Pierson's adult son is the beneficiary of his IRA. To calculate Mr. Pierson's RMD for 2023, he should divide his 2022 year-end balance by the life expectancy divisor under the Uniform Lifetime Table for his age in 2023 (age 75).*

The result is:  $\$154,922 \div 24.6 = \$6,297.64$

This is the amount that must be distributed from his IRA no later than December 31, 2023.

## CHART A: UNIFORM LIFETIME TABLE

to be used for 2022 and later RMDs, unless the sole beneficiary is the IRA owner's spouse who is more than 10 years younger.

UNIFORM LIFETIME TABLE EFFECTIVE JANUARY 1, 2022			
Age	New Uniform Table RMD Factor	Age	New Uniform Table RMD Factor
70	29.1	96	8.4
71	28.2	97	7.8
72	27.4	98	7.3
73	26.5	99	6.8
74	25.5	100	6.4
75	24.6	101	6.0
76	23.7	102	5.6
77	22.9	103	5.2
78	22.0	104	4.9
79	21.1	105	4.6
80	20.2	106	4.3
81	19.4	107	4.1
82	18.5	108	3.9
83	17.7	109	3.7
84	16.8	110	3.5
85	16.0	111	3.4
86	15.2	112	3.3
87	14.4	113	3.1
88	13.7	114	3.0
89	12.9	115	2.9
90	12.2	116	2.8
91	11.5	117	2.7
92	10.8	118	2.5
93	10.1	119	2.3
94	9.5	120+	2.0
95	8.9		

<sup>1</sup><https://www.irs.gov/pub/irs-pdf/p590b.pdf> When Can You Withdraw or Use Assets? 2022

<sup>2</sup>H.R. 2617 Division T SECURE Act 2.0, Section 107.

<sup>3</sup>H.R. 2617 Division T SECURE Act 2.0, Section 302.

<sup>4</sup><https://www.irs.gov/pub/irs-pdf/p590b.pdf> Change in Marital Status (pg. 7), 2022.

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