

Taking Required Distributions From Your Retirement Plan

You will not receive any notification of your required beginning date or your required minimum distribution. It is up to you to know the rules and comply.¹

Getting your money out of a retirement account is not as easy as putting it in. During retirement, when it should be easy to spend your retirement savings, it can be complicated, as you consider tax issues, required annual withdrawals, and a beneficiary's ability to access your plan.

The IRS requires that you start distributions from non-Roth retirement plans by April 1 following the year you turn 70 1/2. These are called required minimum distributions -- or RMDs. For example:

- If your 70th birthday is between January 1 and June 30, you will reach age 70 1/2 that year, and you must take a distribution by April 1 of the following year. This is called your required beginning date (RBD).
- If you were born between July 1 and December 31, you won't reach age 70 1/2 until the next year, and you must take the first withdrawal in the following year. For subsequent years, you must take your distribution by December 31.

Computing Your Required Minimum Distribution

While you may always withdraw larger amounts, the IRS computes a required minimum withdrawal figure using either your life expectancy number or the joint life expectancy of you and your beneficiary. The withdrawal factor is applied to your retirement plans as valued on December 31 of the year prior to the distribution.

Your Life Expectancy

If your beneficiary is anyone other than a spouse who is more than 10 years younger than you, you will use the IRS Uniform Withdrawal Factor Table, which can be found on the IRS website (www.irs.gov), to compute your required distribution. Find the applicable divisor for your age and divide your account balance by this number to compute your required distribution.

If your beneficiary is a spouse who is more than 10 years younger, you may use the IRS Joint Life and Last Survivor Expectancy Table, also on the IRS website. Find your age and your spouse's age on your birthdays in the distribution year, and use the factor where the column and row intersect. Then divide your account balance by that factor.

More Than One Retirement Account

If you have more than one retirement account, start by computing the required distribution for each (the factor may differ if you have different beneficiaries). For employer plans, you must take the required amount out of each plan. However for IRAs, you may add up the required distributions for several IRAs and take the total out of whichever account you choose, as long as you take at least the required total.

¹ If you have any questions regarding your current or approaching required minimum distribution, please call Capital Strategies at (317) 262-1700 and we will answer all of your questions.

You may also aggregate required distributions from tax-deferred annuities (TDAs) in the same way, but you cannot mix IRAs and TDAs, nor may you aggregate inherited IRAs or TDAs with your own IRAs and TDAs.

Penalties for Noncompliance

You will not receive any notification of your required beginning date or your required minimum distribution. It is up to you to know the rules and comply. If you do not comply, Uncle Sam will penalize you 50% of the amount you should have removed plus any income taxes that would have been due on the required withdrawal. Because the distribution rules are complex, you may want to consult a financial advisor who can help you understand the details.

Rules regarding retirement plans are subject to change and it's important to pay attention to changes in the law as they occur. In many cases, mailings that arrive with your IRA or employer plan statements will give you good explanations of any changes in retirement plan laws and how they may affect you.

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