

## Required Minimum Distribution (RMD)

Important Information About Your Required Minimum Distribution (RMD) at Age 73

### Overview

As you approach your 73rd birthday, we want to provide you with important information regarding the Required Minimum Distribution (RMD) from your Individual Retirement Account (IRA). Starting in the year you turn 73, the IRS requires that you begin taking these distributions, and we want to ensure you understand the rules and how the RMD is calculated.

### Summary

#### What is an RMD?

An RMD is the minimum amount you must withdraw each year from your IRA, starting the year you turn 73. You must take your first RMD by April 1st of the year after you turn 73, and each year thereafter, the distribution must be taken by December 31st. However, if you wait until April of the year after you must take two RMD's that year. As such, it often makes sense to take your first RMD in the year you turn 73.

#### How is the RMD Calculated?

The IRS determines your RMD based on two factors:

1. Your IRA balance as of December 31st of the previous year, and
2. A life expectancy factor from the IRS Uniform Lifetime Table, which is based on your age.

#### **RMD = Prior Year-End IRA Balance ÷ Life Expectancy Factor**

For example, if your IRA balance at the end of last year was \$500,000 and your life expectancy factor is 26.5, your RMD for the year would be:  $\$500,000 \div 26.5 = \$18,867.92$

*This amount must be withdrawn and reported as taxable income for the year it is taken.*

#### Key Rules to Keep in Mind:

- First RMD Deadline: While you can delay your first RMD until April 1st of the following year, keep in mind that this means you will have to take two RMDs in that same year. This can increase your taxable income and potentially push you into a higher tax bracket. Because of this, it is often best to take your RMD in the year you turn 73.

- Subsequent RMDs: After your first distribution, you must take all future RMDs by December 31st each year.

- Penalties for Missing RMDs: If you fail to take the full RMD amount, the IRS imposes a 25% penalty on the amount not withdrawn.

### **Qualified Charitable Distribution (QCD) Option**

If you have a charitable intent, there is an option to satisfy your RMD through a Qualified Charitable Distribution (QCD). A QCD allows you to donate directly from your IRA to a qualified charity (up to \$105,000 per year) and counts toward your RMD. The benefit? The amount donated is excluded from your taxable income, which may help reduce your tax liability.

We encourage you to review your RMD requirements and determine the best strategy for your financial situation with your financial advisor. If you have any questions about calculating your RMD, your distribution options, or the tax impact, please feel free to reach out. We're here to help you navigate this process smoothly.



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