

# **Required Minimum Distributions (RMDs)**

## **What are RMDs?**

Required Minimum Distributions (RMDs) are mandatory, minimum, annual withdrawals you must make from your tax-deferred retirement accounts.

## **Tax-Deferred Retirement Accounts:**

- IRA (Traditional, Rollover, Inherited, SIMPLE, SEP)
- Defined Contribution Plan (401(k), 403(b), 457(b), Keogh, other profit-sharing plans)

## **RMDs start in the year you turn 73 (recently increased from age 72 starting 1/1/23... see note below):**

Technically, you have until April 1<sup>st</sup> of the year following your 73<sup>rd</sup> birthday to make the first RMD. However, if you decide to do that you must take two RMDs that year, which could push you into a higher tax bracket.

If you are still working, you may delay taking the minimum distributions from your employer-sponsored plan until April 1st of the year after you retire. However, this rule does not apply to IRAs.

The RMD age was recently increased. Prior to 1/1/23 it was age 72. If you turned 72 in 2022 then you had an RMD requirement for tax year 2022. Technically, you have until 4/1/23 to take that RMD (see note above).

Beginning in 2033, the RMD requirement will be raised to age 75 (from 73).

## **Penalties for not taking RMDs:**

**For tax year 2022 and prior years:** Failing to take the RMD may result in a costly penalty. If you do not withdraw the entire RMD, you may have to pay a 50% excise tax on the amount you are short. For example: If you were supposed to withdraw \$11,000 but only took out \$6,000 you would be subject to a \$2,500 penalty.

**For tax year 2023 and future years:** The penalty for failing to take the RMD is reduced to 25% of the amount you are short. The penalty can be further reduced (to 10%) if the error is corrected in a timely manner.

## **How much to withdraw:**

Your required minimum distribution is determined by the account balance of your retirement account at the end of the preceding year, your age, and the age of your spouse (if your spouse is the sole beneficiary and more than 10 years younger than you) divided by the distribution period from the Uniform Lifetime Table(s), which are provided by the IRS.

The easiest way to determine your RMD is by contacting the financial institution holding your account (if they haven't provided you with that information already).

RMDs must be calculated separately for each IRA you own, but you may take your total RMD from one IRA or a combination of IRAs. Qualified plan accounts such as 401(k), 403(b), and 457(b) must all be calculated and satisfied on an individual basis.

**RMD tips:**

- You may always withdraw more than the minimum. However, excess distributions will not offset your future RMDs in future years.
- Avoid paying tax on your RMD by donating it directly to charity. Taxpayers over age 70½ can distribute up to \$105,000 (tax year 2024) from their IRA accounts directly to charities. This could lead to major tax savings since the distributions don't count towards your adjusted gross income and you don't have to itemize to get the deduction.
- Beginning 1/1/24, Roth 401(k) accounts no longer require RMDs. Prior to 1/1/24, Roth 401(k) account did require RMDs. Such distributions are not taxable income, but you could have avoided the RMD by rolling the money over to a Roth IRA, which are not subject to RMDs (unless later inherited by someone other than a surviving spouse, in which case there are RMD rules that are beyond the scope of this fact sheet).