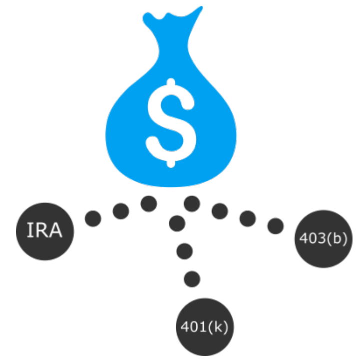

Required Minimum Distributions (RMDs)

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)

When to start taking distributions:

In most cases, you must begin taking RMDs by April 1st of the year immediately following the year you turn 70½. If you decide to wait until April 1st of the year immediately following your 70½ birthday, 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.

Penalties for not taking RMD

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.

How much to withdraw

Your required minimum distribution is determined by the account balance of your retirement account as of 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.

Other RMD tips

- Roth 401(k) accounts may not create taxable income when there is a withdrawal, but these accounts are still subject to RMD rules. You can avoid having to take future RMDs from a Roth 401(k) by rolling the money over to a Roth IRA, which are not subject to RMD.
- Avoid paying tax on your RMD by donating to charity. Congress permanently extended the provision allowing people over 70½ to distribute up to $100,000 from their IRA accounts directly to charities. Such distributions could lead to major tax savings since they don't count towards your adjusted gross income.
- You may always withdraw more than the minimum. However, excess distributions will not offset your future RMDs in future years.