
Q1. What is a Required Minimum Distribution (RMD)?

An RMD is the minimum amount that IRA and retirement plan account owners must withdraw from their retirement account each year after reaching a certain age.

Q2. At what age will my Required Minimum Distribution (RMD) begin?

Age 73 (Age 72 if you reached age 72 before Jan. 1, 2023). This age will increase to 75 in 2033.

Q3. Is there an exception to this rule?

Yes, the IRS states that generally you can delay taking your RMD from your workplace retirement plan (such as a 401k) until the year you retire, unless you own 5% or more of the business sponsoring the plan.

Q4. How much do I have to withdraw – how is it calculated?

If you're our client, this number will be provided each January. Based on current IRS guidance, the distribution taken your first year at age 73 will be about 3.77% of your account balance, and each year thereafter the percentage will slowly increase. Your RMD is calculated using IRS life expectancy tables, taking into consideration your age and the account balance as of December 31 of the previous year.

You can withdraw more than your RMD.

Q5. Can I reinvest my RMD?

Yes, some clients don't want the funds to go to their bank. They would prefer to put the funds to work in another investment account, such as an individual or joint brokerage account. You can certainly do this. Regardless, the amount you withdraw from your IRA will be included in your taxable income.

Q6. Do RMDs apply to my Roth IRA, Roth 401(k), or Roth 403(b)?

No. Beginning January 1, 2024, you no longer are required to take an RMD from your designated Roth in your 401(k) or 403(b). And taking an RMD from your Roth IRA is certainly not required. (This article is not about Beneficiary Roth IRA accounts, which have different rules.)

Q7. Is my RMD distribution taxable?

Typically, the amount withdrawn is treated as taxable income and will be taxed at your ordinary income tax rate. This generally does not apply to Roth distributions.

Q8. Can I distribute my RMD without it being taxable?

Yes, one idea is the qualified charitable distribution (QCD). Talk with your advisor to learn more.

Q9. What if I have multiple accounts with RMDs?

If you have more than one retirement account, you need to calculate the RMD for each account separately. However, you may aggregate the total amount from IRAs and take it from a single IRA if you wish. Defined contribution plan accounts (e.g., 401k) must be withdrawn separately.

Q10. Is there a penalty if I don't satisfy my RMD?

Yes, the IRS imposes a penalty on any RMD amount not distributed by the deadline. According to the SECURE 2.0 Act of 2022, the penalty is 25%, and that penalty might be reduced to 10% if you correct it in a timely manner. The IRS has waived this penalty in the past under certain circumstances.

Understanding and complying with the rules surrounding RMDs is vital in retirement planning to avoid penalties and optimize your tax situation. You should consult with your tax advisor and financial advisor before making any decision regarding your RMDs.

This article doesn't apply to Beneficiary IRA accounts, which have different RMD rules. Talk with your advisor for more information.

Talk with one of our qualified financial advisors.
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ADDITIONAL RESOURCES:

1. <https://www.irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs>
2. <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>

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