



7 RMD QUESTIONS ANSWERED

Here are 7 things you should know once you reach the age when you must withdraw Required Minimum Distributions (RMDs):

- 1. How are my RMDs taxed?** Generally, RMDs are taxed as ordinary income.
- 2. How much am I required to withdraw from my pre-tax retirement plans?** Starting at age 72, you will be required to withdraw a percentage of money from your retirement accounts based on the previous year's ending value of that account. The amount you have to withdraw is based on your age and one of two life expectancy tables that depend on your marital status and the age difference between you and your spouse.
- 3. Will my age and marital status affect the amount of my RMDs?** Yes, the RMD percentage is based on a life expectancy table. The percentage changes based on how old you are as well as if you're single or married.
- 4. Do I have to withdraw RMDs from each account?** No, you can take the total RMDs for all accounts from one IRA account; however, if you have a 401(k) and are retired, the 401(k) RMD must be taken from that account only.
- 5. When does my first RMD payment need to be made?** RMDs start when you turn 72; however, the first RMD can be delayed until April 1 the year after you turn 72. All subsequent RMDs must be taken by December 31 each year. The one thing to remember is that if you take an RMD on April 1 after you turn 72, you will still have to take another RMD by December 31.
- 6. What happens if I don't take an RMD?** If you miss the December 31 deadline, the IRS can impose a tax penalty of 50% of the value that you failed to withdraw. That penalty is in addition to any taxes due on the RMD.
- 7. Are the rules different for spousal or inherited IRAs?** Yes. RMD rules are different if you're a survivor spouse or inherit an IRA from a parent or other relative.

RMDs should be taken seriously and can be complicated.

RMDs will likely play an important role in your finances in retirement. Contact us to speak with a financial professional to go over your RMD strategy.

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