RMD CHECKLIST

Required minimum distributions (RMDs) refer to IRS rules that mandate you withdraw minimum yearly amounts from your retirement accounts. Review this checklist to help you understand and manage your RMDs.

1. When to Take RMDs

- ☐ **Age 70½** — you must typically begin taking RMDs in the year you turn age 70½ regardless of whether you need the money or be subject to a tax penalty (see below).

- ☐ **Still working past age 70½?** You may generally delay RMDs for retirement plans sponsored by your *current* employer until the year you retire. This exception does not apply to plans sponsored by former employers or to IRAs.
  - Evaluate whether to move money to your current employer's plan from other eligible retirement accounts to maximize the amount of assets for which you can delay RMDs.

- ☐ **You may delay your *first year's* RMD** until April 1 of the *following* year. A delay means you must take two RMDs that following year.
  - Estimate the tax bills for each year — based on your (and your spouse's) expected income and tax bracket, it may or may not make economic sense to delay taking your first RMD.

- ☐ **Take them each year** — subsequent RMDs must be withdrawn yearly by December 31.

2. Which Accounts are Subject to RMDs

- ☐ **RMDs apply to** employer-sponsored 457, 401, and 403 retirement plans and traditional IRAs, *but not Roth IRAs*.
  - Note: Roth assets you own in a 457 or 401 plan *are* subject to RMDs — if you don't need the money, explore transferring those assets to a Roth IRA.
  - *Inherited* Roth IRA assets are subject to RMDs — see below.

- ☐ **If you have multiple retirement accounts** — you must calculate your RMD from each but whether you must take an RMD from each depends.
  - If you have multiple IRA accounts, whether traditional, SEP or SIMPLE IRAs, you may take a *combined* RMD from just one IRA account.
  - If you have multiple 403(b) plan accounts, you may take a combined RMD from just *one*.
  - You must take a separate RMD from each 401 and 457 employer retirement plan account.
  - You cannot apply an employer retirement plan RMD towards an IRA RMD and vice-versa.

- ☐ **You can't roll it or convert it** — amounts representing your RMD cannot be rolled over, or transferred, to another retirement account, or converted to Roth assets.

3. RMD Amounts

- ☐ **Calculate RMDs each year** — the required amount is calculated by dividing the account value as of December 31 of the previous year by your life expectancy, which is based on your age as of December 31 of the *current* year.

  Example — your 457 account value is $100,000 as of December 31, 2014. You are married and turn age 75 during 2015 and your spouse is the same age. Based on the IRS Uniform Lifetime Table, your 2015 RMD would be:

  $100,000 (12/31/14 balance)
  ÷ 22.9 (from IRS table)
  = $4,367

- ☐ **If your spouse is more than 10 years younger than you** and is the sole beneficiary of the account — a different Joint Life and Last Survivor Life Table is used which results in slightly lower RMDs.

- ☐ **If you have inherited a retirement account** — a different Single Life Table is used.
  - Surviving spouses have the option of assuming a retirement account as their own and may be able to delay RMDs until they turn age 70½.

LEARN MORE: **IRS Publication 590 (www.irs.gov) | ICMA-RC's Inheriting Retirement Accounts Checklist (www.icmarc.org/inherit)**

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- ❑ **The percentage of your account that must be distributed rises over time** — the RMD amount is initially about 3.6% of your account value and then gradually rises yearly to about 5.3% at age 80 and 8.8% at age 90.

- ❑ **Withdraw more but not less** — you can always withdraw more than your RMD if you need the money or for tax planning purposes. Excess amounts do not count towards future RMDs.

- ❑ **If you have a 403(b) plan account** in which you made contributions prior to 1987, you may be eligible initially to take smaller RMDs.

4. Taxes and Penalties

- ❑ **Plan for taxes** — RMDs are taxable so take them into account when estimating your tax bill.

- ❑ **Avoid the penalty tax** — You are subject to a 50% penalty on the amount that should have been withdrawn but wasn't— if you fail to take an RMD, the IRS *may* waive the penalty if due to a "reasonable error" and taken in a timely manner.

LEARN MORE: **IRS Instructions for Form 5329 (www.irs.gov)**

5. RMD Tax Planning Strategies

- ❑ **Evaluate whether to minimize or avoid RMDs through a Roth IRA** — since Roth IRAs are not subject to RMDs, assets have the potential to grow tax-free for longer. Contributing to a Roth IRA, if eligible, or converting retirement assets to a Roth IRA may make sense based on your specific goals and tax situation.

LEARN MORE: **www.icmarc.org/ira | www.icmarc.org/rothconversion**

- ❑ **Take RMDs early?** — prior to age 70½, consider reviewing whether future RMDs may push you into a higher tax bracket. If so, evaluate whether to take strategic taxable distributions now, even if you don't need the money.

LEARN MORE: **ICMA-RC's Tax Planning Checklist (www.icmarc.org/tax)**

- ❑ **If you don't need your RMD, reinvest** — once you begin RMDs, you can always reinvest them based on your personalized investing strategy.
  - If you are still working, you could apply a traditional IRA or former employer plan RMD towards a retirement plan *contribution*.
  - If no longer working, you could apply it to a taxable investment account.
  - If your spouse is still working, you could apply it towards his/her IRA.

CONSIDER reinvesting in an ICMA-RC IRA (**www.icmarc.org/ira**) or taxable brokerage account (**www.icmarc.org/elite**).

- ❑ **If you don't need your traditional IRA RMD** — you may be able to directly transfer up to $100,000 of IRA assets to a qualifying charity tax-free, while counting the transfer toward your RMD. *Note: this provision will expire at the end of 2014 unless Congress extends it, as it has in recent years. If it is not renewed, such a transfer would be taxable, but would qualify for a charitable deduction if you itemize.*

6. Your ICMA-RC Accounts

- ❑ **ICMA-RC will calculate your RMDs each year** once we receive a separation date for you and we will automatically distribute your RMD amount to you in one lump sum or, per your request, as a series of scheduled payments.

- ❑ **Have outside retirement accounts?** Evaluate a rollover to ICMA-RC. You can include those retirement assets in the RMD calculations we provide for you, making your RMDs easier to manage.

Questions?

- ❑ For general information and guidance, contact your ICMA-RC representative or Investor Services at 800-669-7400.

- ❑ For specific tax advice, consult a qualified tax professional. ICMA-RC does not provide tax advice.