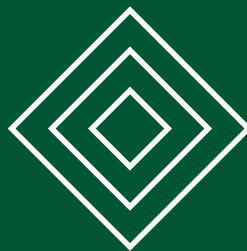




Understanding
**REQUIRED MINIMUM
DISTRIBUTIONS
(RMDs)**





What is a required minimum distribution?

Required minimum distributions — also known as RMDs — are withdrawals the IRS says you must make from tax-deferred retirement accounts each year. The requirement to start taking these annual withdrawals occurs the year you turn age 73 or 75, depending on when you were born.

What types of accounts will I need to take an RMD from?

If you have reached age 73 and have any of the following account types, you are likely to need to take RMDs:

- Traditional IRA
- SEP IRA
- SIMPLE IRA
- 401(k)
- 403(b)
- 457(b)
- Profit-sharing plan
- Other defined contribution plan

Account owners in a workplace retirement plan (for example, 401(k) or profit-sharing plan) may be able to delay taking their RMDs until the year they retire. Please reach out to your financial professional to discuss if this exclusion applies to you.

Regardless of age, certain RMD rules also apply if you inherit a qualified plan or an IRA, including a Roth IRA.

Do I need to take an RMD from a Roth IRA?

No. Roth IRAs are funded with post-tax money and distributions are tax-free. You are not required to take an RMD.

Why am I required to take an RMD?

Qualified retirement accounts are funded with pre-tax money and grow tax-deferred until you start taking distributions. The federal government uses RMDs to set a limit on how long you can postpone paying taxes on the funds within the account.

When do I need to take an RMD?

Your first RMD must be taken by April 1 of the year *after* you turn 73. For example, if you turned 73 in September, you would be required to take your first RMD by April 1 of the following year.

If you were born after 1959, you'll take your first RMD by April 1 of the year after you turn age 75. Regardless of the age you take your first RMD, subsequent RMDs must be taken annually by Dec. 31.

If you wait until April 1 of the following year to take your first RMD, you must meet RMDs for both the year you turned age 73 or age 75, depending on your birth year, and the current calendar year. In other words, you will need to meet two years of minimum distribution requirements in one year.

Is an RMD taxable?

Yes. In most cases an RMD is added to your total taxable income for the year in which it's distributed and taxed at ordinary income tax rates.

How much is my RMD?

It varies from year to year. It's calculated by a formula utilizing the account balance at the end of the year and life expectancy tables. Your financial advisor can provide exact information regarding the amount of your RMD.

Does the RMD requirement limit how much money I can take from an account each year?

The RMD is a minimum, not a maximum. You can take more than the RMD from the account. Keep in mind, however, that you will owe taxes on *all* distributions.

I own two IRAs. Do I have to take an RMD from each of them?

RMDs are calculated separately for each qualified account. But you have two options: You can take the total amount from either one account or split it between both accounts. Let's say your annual total RMD is \$2,000. You can take the whole amount from the account of your choosing or split it between accounts — for example, \$1,000 from IRA No. 1 and \$1,000 from IRA No. 2 — as long as your total distributed amount adds up to or exceeds the \$2,000 RMD amount for the tax year.

But be aware: Some types of retirement plans, such as 401(k)s and 457(b)s, don't allow you to aggregate your RMD. For those accounts, you must take the RMD from the account each year. Consult your advisor to find out how you should take your distributions.

Do previous distributions count toward RMDs?

Yes. If you have already taken distributions from a qualified account in the calendar year, then those apply to your RMD. So, if your total RMD for the year is \$1,000 and

you've already taken \$500 in distributions, you need to take an additional \$500 to meet your RMD for the year.

What if I don't take an RMD?

If you choose not to take an RMD or if you don't take enough out, you could end up paying a penalty to the IRS.

I inherited an IRA this year.

Will I have an RMD?

In the year you inherit the IRA, the original account owner's remaining RMD for that year must be met. The liquidation requirements for an inherited IRA, including whether or not you will need to take an annual RMD in subsequent years, will depend on a variety of factors. It's a good idea to consult a financial professional any time you inherit an IRA or other qualified accounts.

I don't really need the income.

Can I donate my RMD?

If you are age 70.5 or older and own an IRA, you can! You can donate your RMDs from your IRA through a qualified charitable distribution (QCD), which sends the amount directly to a qualified charitable organization of your choosing. Provided that specific QCD guidelines are met, the donation can be excluded from your taxable income for the year in which the QCD is made, up to \$105,000 in 2024. If you are interested in donating your RMD, reach out to your financial professional for assistance.

Can I automate my distributions?

The ability to automate your RMD distribution varies between account types and custodians. Please reach out to your financial advisor if this is an option you would like to look into.

I still have questions about my RMD. Can you help?

Of course! Our firm can tell you approximately how much your RMDs will be every year and see how much they might impact your taxable income. We can also assist with making distribution requests or setting up a charitable donation. Just give our office a call to schedule a time to talk.

Sources:

IRS. March. 14, 2023. "Retirement Plan and IRA Required Minimum Distributions FAQs." <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions>. Accessed Feb. 20, 2024.



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