



6 Things to Know About Taking RMDs in 2024

As year-end approaches, so does the deadline for taking required minimum distributions (RMDs) from your tax-deferred retirement accounts to comply with federal tax laws. You generally must start taking these withdrawals from your traditional IRA, SEP IRA, SIMPLE IRA, and employer retirement plan accounts, such as 401(k) or 403(b) plans, when you reach age 72 (73 if you reach age 72 after Dec. 31, 2022).¹

Below are six things you need to know about RMDs for 2024.

1. **If you turn age 73 in 2024**, you'll need to take your first RMD by April 1, 2025 to avoid penalties. After that, the annual deadline for taking RMDs is the same each year: December 31st.
2. **Effective this year, the penalty for missing an annual distribution** or failing to take the minimum amount from one or more of your accounts was reduced from 50% of your annual RMD amount to 25%. The best way to avoid missed payments and penalties is by automating your RMDs based on your preferred distribution schedule.
3. **RMDs may be higher this year due to increased account values.** RMDs are calculated based on IRS life expectancy tables and your retirement account value(s) at the end of the previous year. While the 2023 stock market rebound was welcomed by investors, many may experience higher RMDs for 2024, as a result.²
4. **RMDs can increase your tax burden.** Since RMDs are taxed as ordinary income, they can push retirees into higher federal income tax brackets. A strategic approach to managing RMDs can help minimize tax liabilities so you keep more of your income in retirement.
5. **RMDs could impact your Medicare costs.** RMDs are included in your modified adjusted gross income (MAGI) that is used to determine your annual premiums for Medicare Part B (doctors' services and outpatient care) and Part D (prescription drug plans). If you participate in these plans, individuals with a MAGI above \$103,000 or married couples filing jointly with a MAGI above \$206,000 are subject to higher premiums. The Social Security Administration uses a sliding scale to calculate premium adjustments based on your MAGI.³
6. **QCDs can help reduce taxable income.** A qualified charitable distribution (QCD) is a tax-free transfer of funds from an IRA to a charity that can satisfy all or a portion of the account owner's RMD. In 2024, the QCD limit is \$105,000. You must be 70.5 or older, own an IRA, and the funds must be transferred directly by your IRA custodian to a qualified charity. Strict rules apply, so be sure to call the office for more information before initiating a QCD.

To learn more about managing RMDs, contact the office now to schedule a time to talk.

¹Roth accounts are not subject to RMDs.

²"Retirement plan and IRA required minimum distributions FAQs." IRS.gov, 19 AUG 2024, <https://www.irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs>.

³"Premiums: Rules for Higher-Income Beneficiaries." SSA.gov, <https://www.ssa.gov/benefits/medicare/medicare-premiums.html>, Accessed 26 AUG 2024.



Confidence Gap Widens Between Workers and Retirees

While Americans' confidence about the ability to support their goals in retirement has not returned to prior levels, nearly three-quarters of retirees say they are confident they will have enough money to live comfortably throughout retirement. According to the 2024 Retirement Confidence Survey (RCS)¹, retirees say their overall lifestyle in retirement is better than expected, despite higher-than-expected costs, with 74% feeling very or somewhat confident about having enough money to live comfortably throughout their retirement years, and 28% feeling very confident. Among those currently living in retirement, over two-thirds say they are enjoying the retirement lifestyle they envisioned while managing their current expenses, and 58% say they are still saving for the future. In addition, 78% are very or somewhat confident about having enough money to cover medical expenses, 72% feel they did a good job preparing financially for retirement, and nearly two-thirds are confident they will have enough money to leave an inheritance.

Preparation is key

Among those still working, retirement confidence is strongly related to retirement plan participation. The RCS study found that those with money in employer retirement plans, individual retirement accounts (IRAs), or who will receive pension benefits, are more than twice as likely as those without any of these plans to be at least somewhat confident about life in retirement. A separate AARP survey supports the connection between retirement savings and confidence levels, finding that among adults age 50 and over, 20% have no retirement savings and 61% are worried they will not have enough money to support themselves in retirement.² If you're looking for ways to further boost savings, consider taking advantage of matching contributions and automatic deferral increases, if available through your employer's plan. If you're over 50 and contributing the maximum amount to your employer plan or an IRA, consider making catch-up contributions. Self-employed individuals have the opportunity to save more through individual 401(k) plans and other deferred compensation arrangements.

If you have questions about strategies to help you remain on track toward your retirement income goals, call the office to schedule a time to talk.

¹"2024 Retirement Confidence Survey." Ebri.org, 25 APR 2024, https://www.ebri.org/docs/default-source/rcs/2024-rcs/2024-rcs-release-report.pdf?sfvrsn=2447072f_1.

²"New AARP Survey: 1 in 5 Americans Ages 50+ Have No Retirement Savings." AARP.pg, 24 APR 2024, <https://press.aarp.org/2024-4-24-New-AARP-Survey-1-in-5-Americans-Ages-50-Have-No-Retirement-Savings>.

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Some IRAs have contribution limitations and tax consequences for early withdrawals. For complete details, consult your tax advisor or attorney.

Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty.

To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first-time home purchase (up to a \$10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.