MissionSquare RETIREMENT

Understanding RMDs

Required Minimum Distributions (RMDs) refer to IRS rules that mandate you withdraw minimum yearly amounts from your retirement accounts. Understanding RMDs helps ensure you follow the tax rules and manage your tax bills.

When to Take RMDs

Age 73* – You must typically begin taking RMDs in the year you turn age 73* regardless of whether you need the money, or you'll be subject to a tax penalty.

Still working past age 73* – You can generally delay RMDs for retirement plans sponsored by your current employer until the year you retire. This exception does not typically 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 can 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 to see if it makes sense to delay.

Take them each year – Subsequent RMDs must be withdrawn yearly by December 31.

Which Accounts Apply

RMDs apply to employer-sponsored 457, 401, and 403(b) retirement plans and traditional IRAs. Roth IRA assets are generally not subject to RMDs.

- 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.

  NOTE: For tax years beginning after January 1, 2024 Roth assets will be excluded from the RMD calculation for retirement plans.

- Inherited Roth IRA assets are subject to RMDs.

If you have multiple retirement accounts, you must calculate your RMD from each, but whether you must take one from each depends.

- If you have multiple IRA accounts, you can take a combined RMD from just one IRA account.
- If you have multiple 403(b) plan accounts, you can take a combined RMD from just one 403(b) account.
- You must take a separate RMD from each 401 and 457 employer retirement plan account.
- You cannot apply an employer retirement plan RMD toward an IRA RMD and vice versa.
- Amounts representing your RMD cannot be rolled in, transferred to another retirement account, or converted to Roth assets.

How Much to Withdraw

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, 2022. You're married and turn age 75 during 2023, and your spouse is the same age. Based on the IRS Uniform Lifetime Table, your 2022 RMD would be:

$100,000	÷	24.6	=	$4,065.04
(12/31/2022 balance)		(from IRS table)		

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 Single Life is used, which results in slightly lower RMDs.

Learn More: Calculate current and estimate future RMDs at **www.missionsq.org/rmdcalc**

Inheriting spouses can use the Uniform Life Table starting in 2024.

- Surviving spouses have the option of assuming a retirement account as their own and may be able to delay RMDs until they turn age 73*.

Learn More: IRS Publication 590 (www.irs.gov)
www.missionsq.org/inherit

*70½ (if you were born before July 1, 1949), age 72 (if you were born after June 30, 1949, and before January 1, 1951), or age 73 (if you were born after December 31, 1950).

The percentage of your account that must be distributed rises over time – The RMD amount is initially about 3.7% of your account value, then rises yearly to about 4.9% at age 80 and 8.2% at age 90.

Withdraw more but not less – You can withdraw more than your RMD requires if you need the money or for tax-planning purposes. Excess amounts do not count toward future RMDs.

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

Navigating Taxes

Plan for taxes – RMDs are taxable so take them into account when estimating your tax bill.

Avoid the penalty tax – For tax years beginning after January 1, 2023, the penalty is reduced to 25% and could be further reduced to 10% if the RMD is taken timely after the end of the tax year.

Learn More: IRS instructions for Form 5329 (www.irs.gov)

Evaluate whether to minimize or avoid RMDs through a Roth IRA – Since Roth IRAs aren't 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.missionsq.org/ira**
www.missionsq.org/rothconversion

Evaluate whether to take RMDs early – Prior to your RMD age, review whether future RMDs may push you into a higher tax bracket, and plan your distributions accordingly. If so, evaluate whether to take strategic taxable distributions, even if you don't need the money.

Learn More: **www.missionsq.org/tax**

If you don't need your RMDs, reinvest them.

- If you're still working, you can reinvest a traditional IRA or former employer plan RMD as a contribution to your current employer's retirement plan or a Roth IRA.
- If you're no longer working, you can apply it to a taxable investment account.
- If your spouse is still working, you can apply it toward their IRA.

If you don't need your traditional IRA RMD – You may be able to directly transfer up to $100,000 as indexed of IRA assets to a qualifying charity tax-free, while counting the transfer toward your RMD.

Learn More: **www.missionsq.org/qcd**

Manage Your MissionSquare Accounts

We make taking your RMDs easy – Each applicable year, we'll notify you about your RMD amounts and options. You can withdraw your RMD in one payment or take partial or installment payments.

Learn More: **www.missionsq.org/rmd**

If you have outside retirement accounts, evaluate a roll-in to MissionSquare. You can include those retirement assets in the RMD calculations we provide for you, making your RMDs easier to manage.

Learn More: **www.missionsq.org/simplify**

Questions? For general information and guidance, contact your MissionSquare Retirement representative. For specific tax advice, consult a qualified tax professional. MissionSquare does not provide tax advice.