

# Calculating Your RMD in 5 Easy Steps

## What is an RMD (required minimum distribution)?

An RMD is the minimum amount that must be withdrawn from a retirement account each year.

## When are you subject to RMDs?

Traditional IRA owners are subject to RMDs beginning in the year in which they turn 70 ½. Beneficiaries of IRAs and/or Roth IRAs are subject to RMDs beginning in the year after the year of the IRA (or Roth IRA) account owner's death.

**#1 Determine the distribution year.** Determine the distribution year. The distribution year is the year in which you are taking a distribution, NOT necessarily the year in which the distribution is taken. An individual turning 70 ½ in 2015 does not have to take their first RMD until April 1, 2016. If he or she waits and takes the distribution on April 1, 2016, the distribution is still for a 2015 distribution and a second distribution will have to be taken by the end of 2016 for 2016. After the year an IRA owner turns 70 ½, all distributions should be made by December 31 of each year.

**#2 Find the retirement plan balance.** Use the balance as of December 31 of the prior year. Add back any outstanding rollovers and recharacterizations.

**#3 Determine the life expectancy factor.** Most IRA owners look up their age on the Uniform Lifetime Table in order to determine their factor. If a spouse is the sole beneficiary of an IRA account for the entire year and is more than 10 years younger than the account owner, the Joint Life Expectancy Table is used. Most beneficiaries look up their life expectancy in the year after the year of the account owner's death using the Single Life Table. Going forward each year that factor would simply be reduced by one (there are some exceptions for spousal beneficiaries). Make sure to look up the actual ages of the individual as of the last day of the year.

**#4 More mathematics.** Divide the retirement plan balance (step 2) by the life expectancy factor (step 3). The result is the RMD that must be taken. Be sure to take the RMD by December 31 of the distribution year (except IRA owners in the year they turn 70 ½). **REMEMBER** there is a 50% penalty for any portion of an RMD that is not taken.

**#5 Take notice.** RMDs from owned IRA accounts can be aggregated and RMDs from owned 403(b) accounts can be aggregated. Accounts inherited from the same person can aggregate RMDs. All other types of accounts cannot be aggregated.

A M E R I C A ' S I R A E X P E R T S