

Taking the Mystery Out of RMDs

RETIREMENT PLANS

Individual retirement accounts (IRAs) were created to help you save your earned income and pursue your retirement goals. Eventually, you will have to start taking annual minimum withdrawals called required minimum distributions (RMDs) from your traditional, SEP, and SIMPLE IRA (but not Roth IRA), as well as qualified plans. Failure to do so will result in a 25% penalty on top of ordinary income tax for the undistributed amount, so it's important that you understand the rules of these withdrawals.

RMD Rules of the Road

- The first RMD can be delayed, but must be taken by April 1 of the year after you reach age 73.¹
- Your RMD is calculated by dividing the total value of all of your IRAs on the previous year's December 31 by an age-related factor found in the IRS Uniform Lifetime and Single Life Expectancy tables (reference page 2).
- The RMD calculation will be done each year until your IRAs are depleted.
- Failing to take an RMD, or taking less than your RMD amount, typically results in a 25% penalty in addition to ordinary income tax on the difference between the required amount and the actual amount withdrawn.
- If you have multiple IRAs (including SEP and SIMPLE), you must include the value of all of your IRAs when calculating RMDs.
- RMDs can be aggregated and the total taken from any IRA that you own (not including Roth or inherited IRAs).
- Roth Conversion (or rollover) of an RMD is considered a prohibited transaction and must be removed as excess from the Roth account.

What about employer-sponsored plans like 401(k) plans?

- Generally, active participants may delay their first RMD until April 1 of the year after retirement, as long as they don't own 5% or more of the company sponsoring the plan.
- You can't aggregate RMDs from employer-sponsored plans with RMDs from IRAs. Contact your employer's human resources benefit specialist or plan administrator for proper guidance.

What will my beneficiary need to know?

- Beneficiaries may increase payments or take a total distribution at any point. Amounts above the RMD are generally subject to ordinary income tax.
- If your spouse is the primary beneficiary and you pass away after starting to take RMDs, he or she may continue to take RMDs, or roll over the assets into their own IRA. A rollover may reduce or stop current RMDs until your spouse turns age 73. At that time, RMDs must begin using the Uniform Lifetime Table.
- For death occurring in 2020 or after, your non-spouse beneficiaries will generally be subject to a 10-year rule or 10-year RMD rule.
- No RMDs are needed if death occurred before the required beginning date, but the beneficiary will have 10 years to fully liquidate the inherited IRA.
- If death occurred after required beginning date, the beneficiary will have an RMD annually and must liquidate the entire account by December 31 of the tenth anniversary of death.²

How do I calculate a required Minimum Distribution (RMD)?

To calculate an RMD, follow these four simple steps:

Step 1 – Determine your age on December 31 of the year the RMD is required.

Step 2 – Find this age and the corresponding life expectancy factor from the Uniform Lifetime Table listed below.

Note: Beneficiaries of inherited IRAs use the Single Life Expectancy Table (second table listed below).

Step 3 – Determine the value of all of your IRAs as of December 31 of the previous year.³

Step 4 – Divide the aggregated value of all of your IRAs by the corresponding life expectancy factor.³

For example, if the balance of your aggregated IRAs on December 31, 2023, was \$250,000, and you turned 78 by December 31, 2024, you simply divide \$250,000 by 22.0 to determine your 2024 RMD. Your RMD distribution would be \$11,363.64 for 2024.

For IRA owners in subsequent years, you must recalculate your RMD, so always determine your previous year's December 31 aggregated IRA value and divide that total by the factor for your age on December 31 of the current year.

Uniform Lifetime Table

AGE		LIFE EXPECTANCY FACTOR							
72	27.4	81	19.4	90	12.2	99	6.8	108	3.9
73	26.5	82	18.5	91	11.5	100	6.4	109	3.7
74	25.5	83	17.7	92	10.8	101	6.0	110	3.5
75	24.6	84	16.8	93	10.1	102	5.6	111	3.4
76	23.7	85	16.0	94	9.5	103	5.2	112	3.3
77	22.9	86	15.2	95	8.9	104	4.9	113	3.1
78	22.0	87	14.4	96	8.4	105	4.6	114	3.0
79	21.1	88	13.7	97	7.8	106	4.3	115	2.9
80	20.2	89	12.9	98	7.3	107	4.1		

Single Life Expectancy Table for Inherited IRAs

If the original IRA owner passed away prior to 2020, non-spouse beneficiaries use this table to calculate RMDs based on their own life expectancy in the year following death of the IRA owner. The factor is reduced by one each year going forward.

AGE		BENEFICIARY LIFE EXPECTANCY FACTOR													
0	84.6	16	69.0	32	53.4	48	38.1	64	23.7	80	11.2	96	3.7	112	2.0
1	83.7	17	68.0	33	52.5	49	37.1	65	22.9	81	10.5	97	3.4	113	1.9
2	82.8	18	67.0	34	51.5	50	36.2	66	22.0	82	9.9	98	3.2	114	1.9
3	81.8	19	66.0	35	50.5	51	35.3	67	21.2	83	9.3	99	3.0	115	1.8
4	80.8	20	65.0	36	49.6	52	34.3	68	20.4	84	8.7	100	2.8	116	1.8
5	79.8	21	64.1	37	48.6	53	33.4	69	19.6	85	8.1	101	2.6	117	1.6
6	78.8	22	63.1	38	47.7	54	32.5	70	18.8	86	7.6	102	2.5	118	1.4
7	77.9	23	62.1	39	46.7	55	31.6	71	18.0	87	7.1	103	2.3	119	1.1
8	76.9	24	61.1	40	45.7	56	30.6	72	17.2	88	6.6	104	2.2	120	1.0
9	75.9	25	60.2	41	44.8	57	29.8	73	16.4	89	6.1	105	2.1		
10	74.9	26	59.2	42	43.8	58	28.9	74	15.6	90	5.7	106	2.1		
11	73.9	27	58.2	43	42.9	59	28.0	75	14.8	91	5.3	107	2.1		
12	72.9	28	57.3	44	41.9	60	27.1	76	14.1	92	4.9	108	2.0		
13	71.9	29	56.3	45	41.0	61	26.2	77	13.3	93	4.6	109	2.0		
14	70.9	30	55.3	46	40.0	62	25.4	78	12.6	94	4.3	110	2.0		
15	69.9	31	54.4	47	39.0	63	24.5	79	11.9	95	4.0	111	2.0		

¹ Prior to 2023, RMDs had to be taken by December 31 each year starting at age 72. (The RMD age prior to 2020 was age 70 ½.)

² Non-spouse beneficiary may still take RMDs over their life expectancy if: minor children of the deceased account owner, and individuals who are no more than 10 years younger than the deceased. Please note, once minor children reach the age of majority in their state, the ten-year rule will apply.

³ The same calculation and life expectancy factor can be used for Qualified Retirement Plan (QRP) RMDs; however, QRP RMDs cannot be taken from IRAs and vice versa. QRP RMDs (excluding 403(b)s) cannot be aggregated for RMD purposes and must be satisfied from each account or plan.

Please note that this information is for educational purposes only. Stifel does not provide legal or tax advice. You should consult with your legal and tax advisors regarding your particular situation.

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