Let's Talk RMDs

**Continue reading for RMD basics
and how to maximize your nest egg.**

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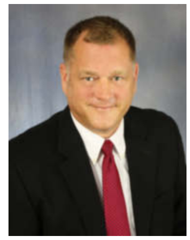

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Let's Talk RMDs

Reaching a milestone is often cause for celebration. However, when you reach the age of 70½, expect a visit from Uncle Sam. At that time, you're required to withdraw funds annually from your retirement accounts, known as Required Minimum Distributions (RMDs), or face a 50 percent tax penalty. Here are some helpful tips to consider when deciding what to do with your RMD.

SO, WHAT'S AN RMD?

Simply put, your RMD is the minimum amount you must withdraw from your retirement accounts contributed to on a tax-deferred basis – such as your 401(k), 403(b), 457(b) and profit sharing plans, as well as any traditional IRAs, SEP-IRAs or SIMPLE IRAs.

To determine your RMD, visit IRS.gov for tables and worksheets that will guide you through the calculation based on your age and account balances for the prior year.

Your first RMD is due by April 1 of the year after you turn 70½, but delaying it means you'll have to make two distributions, significantly increasing your tax bill for that year. You aren't confined to a set schedule for taking your distribution, but you do have to meet your RMD by December 31 each year.

ARE THERE EXCEPTIONS TO THIS RULE?

If you have a Roth IRA, you've already paid income taxes on the contributions and therefore, can spend or save these funds however you choose. Still working after 70½? You can delay taking distributions from employer-sponsored retirement plans until April 1 of the year after you retire.[1] Just remember, you still have to take your RMD from your traditional IRAs.

WHAT IF I DON'T NEED TO USE MY RETIREMENT FUNDS?

If you're fortunate enough to not need the money now, you have multiple options for reallocating your distributions. Maybe you've planned to set these funds aside for their beneficiaries – you could reinvest it in a taxable account where it can generate additional growth for your portfolio.[2] Or, consider depositing excess distributions into CDs or money market accounts for emergency funds. If you have a family member you'd like to help send to college, reinvest your extra money in a 529 college savings plan. Another option is to make a charitable contribution. You can donate up to $100,000 to nonprofit organizations through a trustee transfer.

DO I HAVE OPTIONS?

You always have a say in how to spend your money. Since RMDs are calculated on individual account balances and not your total assets, consider taking your RMD from IRAs with the highest balance first, or transfer amounts between accounts to balance them out, then withdraw the RMD equally from each.[3] If you have multiple IRAs with different payouts, always take your distribution from the lowest-paying.

Another option is to convert to a Roth IRA. You'll pay taxes up front, but once converted, your Roth IRA is free of RMDs and can be spent or saved whenever you want. Having a mix of Roth and traditional IRAs also gives you a little more flexibility with your income.

RMDs are inevitable, but with careful financial planning, they don't have to be a nightmare. Sit down with your financial advisor to make the most of your hard-earned retirement savings.

[1] "IRA & 401(k) Required Minimum Distributions (RMDS) – Rules and Requirements." Moneycrashers.com
[2] "5 Things to Do with Your RMD Money." Portfoliosolutions.com 18 Oct. 2014
[3] "Strategic Ways to Distribute Your RMD." Investopedia.com