

Required minimum distributions



Wealth
Management

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Retirement planning is all about envisioning your retirement lifestyle, and then saving and investing for your future. The primary goal is to make sure you'll have enough financial resources in retirement and to satisfy other legacy goals you may have. For most individuals, saving for retirement means funding Individual Retirement Accounts (IRAs) and other employer-sponsored retirement plans.

However, an IRA is not designed to shield savings from taxes indefinitely. Consequently, when you reach the age of 70½, the IRS requires that you begin taking payments from your traditional IRAs, whether you need the money or not. These withdrawals are called required minimum distributions (RMDs).

In addition to traditional IRAs, most employer-sponsored retirement plans are subject to RMDs. The rules governing RMDs from employer-sponsored qualified plans vary slightly from traditional IRA RMD rules. So, if you have assets in this type of plan, please contact your employer, or former employer, for further information regarding your RMD.

Roth IRAs, however, are different. You are not required to take any distributions from a Roth IRA during your lifetime. Required distributions from Roth IRAs are not mandated until a non-spouse beneficiary inherits the account.

When must RMDs be taken?

Your first RMD must be taken for the year in which you turn 70½. However, you have some flexibility with your distribution in your first year. You can take the distribution during the year you turn 70½, or you can delay it until April 1 of the following year; this date is known as your Required Beginning Date (RBD). Subsequent annual distributions must be taken by December 31 of each year.

Please note, if you delay your first distribution until the following year you will be required to take two distributions during that second year, one for your first year RMD and one for your second year distribution. You will want to compare the advantage of leaving the money in your IRA for as long as possible with the tax consequences of taking two distributions in one year.

How are RMDs calculated?

Your minimum distribution amount is calculated each year by dividing your ending account balance from the previous year (as of the close of business on December 31) by your applicable life expectancy factor.

There are two ways to determine the applicable life expectancy factor.

- If your sole beneficiary is your spouse, and he or she is more than 10 years younger than you, the applicable life expectancy factor is based on the joint life expectancy of you and your spouse from Table II in IRS Publication 590.

- In all other cases, the applicable life expectancy factor used is from the Uniform Lifetime Table (IRS Table III), as illustrated on page 2.

Taking your RMD

A distribution from your RBC Wealth Management® IRA can be processed in a number of ways. You can:

- Schedule automatic distributions
- Submit a distribution form for every distribution
- Set up “on-demand” distributions
- Establish IRA check writing and withdraw your RMD yourself

Your RMD can be either cash or securities from your IRA. Securities are valued at the closing price on the day prior to the distribution. A cash distribution can be made in the form of a check, sent directly to your bank or journaled to your retail account at RBC Wealth Management®. Securities can be distributed to your retail account here. If you distribute your RMD to your RBC Wealth Management Investment Access Account you can use it to help you manage your cash and investments.

Your Investment Access Account provides several options for easily accessing your retirement paycheck. Some of these options include:

- Visa® Platinum Debit Card
- Check writing
- Online bill pay
- Electronic transfer of funds — ACH and wire transfers

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Taxation of RMDs

Distributions from your IRA are generally subject to federal (and possibly state) income tax for the year in which you receive the distribution. However, a portion of the funds distributed to you may not be subject to taxation if you have ever made non-deductible (after-tax) contributions or if you've ever rolled over after-tax dollars from an employer-sponsored retirement plan to your traditional IRA. Since non-deductible contributions were already taxed, they will be tax-free when you withdraw them, although the earnings on the contribution will be taxable. You should consult a competent tax professional if your traditional IRA contains any non-deductible contributions.

Beneficiaries

We recommend you name both primary and contingent beneficiaries for your IRA. You can change your beneficiary(ies) at any time without altering your RMD calculation (unless you change from a spouse who is more than 10 years younger).

IRA regulations allow designated beneficiaries to take distributions based on their individual life expectancies after the death of the account owner. To be considered a designated beneficiary, a beneficiary must be a living person. A special rule exists for a trust beneficiary allowing the oldest beneficiary of the trust to be viewed as the designated beneficiary for an IRA for post death distribution calculations if the trust meets certain requirements. Subsequent beneficiaries of the original designated beneficiary may continue distributions on the same schedule after the original beneficiary's death.

Please see our "Distribution options for beneficiaries" and "IRA beneficiary planning" fact sheets for additional information on beneficiary distribution options.

Additional information

- The amount of your RMD will change each year because your account value and life expectancy factor will change.
- You (and your beneficiary) may always take more than the minimum amount.
- If you (or your beneficiary) take less than the minimum amount, the penalty is 50 percent of the deficiency. For example, if your RMD is \$10,000 and you only take \$6,000, your deficiency is \$4,000 and the penalty would be \$2,000.
- Income tax withholding from IRA distributions is voluntary.
- If you have more than one IRA, the minimum distribution must be determined separately for each IRA. You may, however, add those amounts together and take the total RMD from any one or more of your IRAs. RMDs from employer-sponsored plans, such as 401(k) profit sharing, pension and 403(b), must be calculated separately and taken from the respective plan.

Planning

Understanding your RMD is an important part of your retirement planning. Your RBC Wealth Management® financial advisor can work with you to:

- Develop a well-rounded retirement saving and retirement income plan
- Effectively manage your assets in retirement
- Plan appropriately for leaving assets to your beneficiaries

Together, you will review this plan periodically and make any necessary adjustments to assist you in achieving your goals.

Age	Factor
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7
81	17.9
82	17.1
83	16.3
84	15.5
85	14.8
86	14.1
87	13.4
88	12.7
89	12.0
90	11.4
91	10.8
92	10.2
93	9.6
94	9.1
95	8.6
96	8.1
97	7.6
98	7.1
99	6.7
100	6.3
101	5.9
102	5.5
103	5.2
104	4.9
105	4.5
106	4.2
107	3.9
108	3.7
109	3.4
110	3.1
111	2.9
112	2.6
113	2.4
114	2.1
115	1.9

IRS Table I (single life expectancy) * (for use by beneficiaries)							
Age	Life expectancy	Age	Life expectancy	Age	Life expectancy	Age	Life expectancy
10	72.8	29	54.3	48	36.0	67	19.4
11	71.8	30	53.3	49	35.1	68	18.6
12	70.8	31	52.4	50	34.2	69	17.8
13	69.9	32	51.4	51	33.3	70	17.0
14	68.9	33	50.4	52	32.3	71	16.3
15	67.9	34	49.4	53	31.4	72	15.5
16	66.9	35	48.5	54	30.5	73	14.8
17	66.0	36	47.5	55	29.6	74	14.1
18	65.0	37	46.5	56	28.7	75	13.4
19	64.0	38	45.6	57	27.9	76	12.7
20	63.0	39	44.6	58	27.0	77	12.1
21	62.1	40	43.6	59	26.1	78	11.4
22	61.1	41	42.7	60	25.2	79	10.8
23	60.1	42	41.7	61	24.4	80	10.2
24	59.1	43	40.7	62	23.5	81	9.7
25	58.2	44	39.8	63	22.7	82	9.1
26	57.2	45	38.8	64	21.8	83	8.6
27	56.2	46	37.9	65	21.0	84	8.1
28	55.3	47	37.0	66	20.2	85	7.6

*partial table – full table can be found in IRS Publication 590 – www.irs.gov