Required Minimum Distributions

What are Required Minimum Distributions (RMDs)?

Required minimum distributions, or RMDs, are congressionally mandated withdrawals from a qualified retirement plan. RMD rules dictate the minimum amount you must withdraw from your account every year beginning by age 73.

Required minimum distributions mandate that you start withdrawing money from the plan in order to begin paying taxes on it. This doesn't have to happen right at retirement age but will begin within a few years, depending on when you were born. Taking the time to understand how RMD rules work is an important part of everyone's retirement income planning process.

If you are not a 5% owner, you must begin taking payments by the **later** of the following:

1. April 1st of the calendar year after turning age 73, or

2. December 31st of the calendar year in which you retire*

According to RMD rules, starting with the April 1 in the year after you reach the required age, you must begin taking annual distributions from your qualified retirement plans. For all subsequent years, including the remainder of the year in which the first RMD distribution occurred by April 1, you must take an RMD by December 31 of the year.

*RMD's are not required if you are still an active employee.

How the RMD Calculation Works

The amount you must withdraw is based on the value of your accounts at the beginning of the year for which you are required to take a distribution (i.e. the preceding December 31 value of the account and life expectancy tables). That total is then divided by your life expectancy as determined by the IRS. One of three separate tables is used, depending on your situation:

1. The sole beneficiary is the owner's spouse who is more than 10 years younger than the owner
2. You have other beneficiaries besides your spouse or your spouse is not more than 10 years younger than you
3. You're the sole beneficiary of the account[1]

Requesting Your RMD

Once a plan participant reaches the required age and is no longer employed, they are legally required to take a Required Minimum Distribution (RMD).

- The RMD should be taken by the end of the year in which you reach the RMD required age or the year in which you retire, whichever is later.
- RMD's taken late are taxed at a rate of 50%.

When you are required to take your first RMD, you will receive a notification in the year in which you reach the RMD required age (or terminate employment if older) that will include the amount of the RMD.

Once the initial RMD is processed, future RMD's will be processed automatically in the same manner. The RMD will be calculated and processed automatically each year prior to 12/31.

To request your RMD be processed at a specific date, please contact our Service Center to make this request.

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The RMD is a one-time distribution for the calculated amount.

RMD Exceptions

You may qualify for an exception from taking RMDs from your current employer-sponsored retirement account, such as a 401(k), 403(b), or small-business account, if:

- You're still working
- You do NOT own more than 5% of the business you work for
- You have an employer-sponsored retirement account with the business you work for

If you meet all the criteria above, you may delay taking an RMD from the account until April 1 of the year after you retire.

Changes Effective 2024

Effective for 2024 and beyond, SECURE 2.0 eliminated Required Minimum Distributions (“RMDs”) for designated Roth accounts in qualified employer sponsored retirement plans. Depending on the balance in your Roth account, this could significantly reduce the amount of the RMD you owe for this year and in future years.

How does this impact your RMD?

If you have Roth money in your 401(k) or 403(b) plan, the Roth account will be excluded when calculating your RMD. If you are currently taking RMDs or you are turning 73 and are due for your first RMD, your RMD will be calculated based on your pre-tax balance as of 12/31 of the prior year.

Retirement plan balances are eventually subject to RMDs. How will this rule impact future RMDs?

Whether or not you reached RMD age, your future RMDs will be calculated based on only your pre-tax balance as of 12/31 of the prior year. The amount of your RMD for 2025 and beyond can be impacted by the amount of Roth money in your 401(k) or 403(b).

If you are looking to lower the amount of your RMD in future years and are still working, consider adjusting your contributions to add money to a Roth account instead of pre-tax only or increase the amount of money you contribute to the Roth account.

If your plan allows, you may be eligible to convert all or a portion of your pre-tax money to a Roth account within the plan.