

WHAT IS YOUR RMD?

REQUIRED MINIMUM DISTRIBUTION

If you have tax-deferred accounts, like IRAs or 401(k)s, you'll eventually have to take a distribution from those accounts. Do you know when or how much? Worry no more as Glassman Wealth Services guides you through all you need to know about your RMD.



LIVING WELL IN RETIREMENT

When life's possibilities expand beyond your career, we help you prepare for the adventure ahead.

REQUIRED MINIMUM DISTRIBUTION



What is it?

When you have contributed income into a tax-deferred account like a 401(k) or IRA, Uncle Sam eventually wants to collect those taxes. For most individuals, starting in the year you turn 73, the IRS requires that you take a Required Minimum Distribution (RMD) - the minimum amount that you need to withdraw from your retirement account each year.

How To Calculate Your RMD

Most people will use the IRS table below. Different rules apply if: 1) your primary beneficiary is your spouse who is more than 10 years younger than you; or 2) you hold an Inherited IRA in the name of the decedent.

- 1 Find the 12/31 balance of your IRAs for the previous year. If you have multiple IRAs, add the balances together and treat the calculation as one. 401(k)s and Inherited IRAs are calculated separately. You do not have to take an RMD from a Roth IRA.
- 2 Divide the 12/31 IRA balance by the Distribution Period factor that corresponds with your age on the IRS table, based on your birthday that year.
- 3 To illustrate, we calculated the percentage of your total 12/31 account balances that you will have to take each year and provided it below.



What is Your RMD Age?

The amount of the RMD must be calculated annually based on the account balance. The age at which you need to start drawing your RMD depends upon your birth year.

Birth Date	RMD Age
6/30/1949 or Earlier	70.5
7/1/1949 - 12/31/1950	72
1951-1959	73
1960+	75

IRS TABLE - AS OF 2024

Age	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87
Distribution Period (In Years)	27.4	26.5	25.5	24.6	23.7	22.9	22.0	21.1	20.2	19.4	18.5	17.7	16.8	16.0	15.2	14.4
Percent You Need to Take	3.65	3.77	3.92	4.07	4.22	4.37	4.55	4.74	4.95	5.15	5.41	5.65	5.95	6.25	6.58	6.94
Age	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103
Distribution Period (In Years)	13.7	12.9	12.2	11.5	10.8	10.1	9.5	8.9	8.4	7.8	7.3	6.8	6.4	6.0	5.6	5.2
Percent You Need to Take	7.30	7.75	8.20	8.70	9.26	9.90	10.53	11.24	11.90	12.82	13.70	14.71	15.63	16.67	17.86	19.23

For Example:



Roger turns 73 this year and owns 3 IRAs.

- 1 First add all the IRA 12/31 balances:
 $\$450,325 + \$370,699 + \$460,504 = \$1,281,528$
- 2 Then divide the total by the Distribution Period to get the RMD.
 $\$1,281,528 \div 26.5 = \mathbf{\$48,359.55}$
 This is Roger's RMD for the current year.

Good to Know

Are you turning 73, still employed, and own less than 5% of your company? If so, you don't have a Required Minimum Distribution for your 401(k) until you stop working.

Age 73? For your first year, your RMD is approximately **3.77%** of your balance.

YOUR RMD DECISIONS

1 When do you want to take it?

You must take an RMD by December 31st each year, except for the first distribution. For that first year only, there is a special rule allowing you to defer taking the distribution up until April 1st of the year after you turn 73. Keep in mind that if you wait, you will have to take two distributions in one year.



3 What if I have an Inherited IRA?

A different calculation is used and depends on several factors. To learn more about Inherited IRAs, please contact your Glassman Wealth Services advisor.



2 How much should you withhold for federal and state tax?

Remember that this entire distribution may be taxable to you at ordinary income tax rates. Your tax advisor can assist with how much to withhold for taxes. Otherwise, contact Glassman Wealth Services, and we can help.

4 Where do you want the distribution to go?

The distribution could be sent to your home by check, deposited into your bank account, transferred to another investment account, donated to charity, or wired to your bank checking account.

5 How do you want to receive your RMD?



This is flexible. For example, an annual lump sum or monthly/quarterly payments are possible.

6 From which account should you take the distribution?

For IRA RMDs, you can take the entire RMD from one IRA or from several, provided that the total distribution is satisfied. However, RMDs for 401(k)s and Inherited IRAs must come from that specific account.

FREQUENTLY ASKED QUESTIONS

What happens if I forget one year?

The penalty is pretty stiff. The IRS imposes a 25% penalty for the amount of the RMD that was not taken. If corrected early, the penalty may be reduced to 10%.

When do I take the first RMD?

Your first RMD must be calculated in the year you turn 73. Don't forget, you can elect to delay your first distribution until up to April 1st of the following year, but this means taking two distributions (with associated taxes) in the second year.

Will GWS help me with this?

Yes, we will. We track each client's RMD for the accounts that we manage and make sure it has been satisfied for the year. Once we know the answers to the questions above, we can take care of this for you each year with a simple acknowledgment.

Why is this a requirement?

When the money was contributed to your retirement account, it was likely pre-tax, so no income tax was paid. The investments had the opportunity to grow tax-deferred. Since neither income tax nor capital gains tax have been paid on these retirement account funds, the IRS wants their tax revenue.

Can I skip if I don't need the money?

No, this is an annual requirement.

Can I donate my RMD to charity?

The IRS allows those over age 70 ½ to donate up to \$105,000 (adjusted for inflation) from their IRA to charity each year as a Qualified Charitable Distribution, usually avoiding all income tax on the payment. Contact your GWS advisor for details.

For more information, please call us at 703-534-4444.



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 LIVING WELL IN RETIREMENT

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 MANAGING LIFE'S RISKS

 NEXT GENERATION

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*As of 02/29/2024

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