4 Questions About RMDs Answered

The rules that apply to required minimum distributions (RMDs) have changed over the last couple of years, and it's possible they could change again in the future.

For example, in 2020 the coronavirus relief bill waived RMDs for many people with tax-deferred retirement accounts. This year, RMDs are back in the picture.

So what should you keep in mind going forward?

What kinds of accounts come with RMDs?

RMD rules apply to several different retirement plans, including 401(k)s, Roth 401(k)s, 403(b)s, 457(b)s and traditional IRAs.

When do RMDs start?

You are required to begin taking RMDs when you reach a specific age. The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) changed the age requirements for RMDs.

People who turned 70 1/2 years old in 2019 were required to take their first RMD by April 1, 2020. After the SECURE Act went into effect, the rule became that people must take their first RMD by April 1 of the year after they reach 72.

How much will your RMD be?

You can calculate your RMD using tables provided by the IRS. First, you will find the life expectancy factor based on your situation. Then, you divide your account balance as of Dec. 31 of the previous year by that life expectancy factor. Note that for 2022, new life expectancy tables will go into effect.

What happens if you don't take an RMD?

If you do not take your yearly RMD in the required amount by the applicable deadline, the amount that should have been taken out of the account is taxed at 50%.

Do you have questions about RMDs or anything else? Get in touch today.

The highest Compliment you can give your ROI Financial Advisor is to refer them to someone special like yourself. We thank you for your business & most recent consideration.

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