

Required Minimum Distribution (RMD)

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. (Could also be age 72 or 70.5 depending on your circumstances, see below for additional information.)

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 turned 70.5 before Jan. 1, 2020, you must begin RMDs at age 70.5.
- If you turned 70.5 on or after Jan. 1, 2020, you must begin RMDs at age 72.
- If you turned 73 on or after Jan. 1, 2023, you must begin RMDs at age 73.

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.

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.

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.

The CARES Act, enacted on March 27, 2020, includes provisions that relate to RMDs. View the [CARES Act FAQ page](#) for more information.
