

Golden Bullets

Private Wealth Financial Partners

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LIFETIME MINIMUM DISTRIBUTION PLANNING:

THINGS TO CONSIDER

The federal government has a seemingly insatiable appetite for our tax money. As evidenced by some of the discussions going on in Washington these days, the hunger for tax revenues has only gotten stronger.

A number of tax incentives are built into the Code with regard to qualified plans and IRAs. That fact helps induce our clients to put money into such plans. However, Congress and the President have not prepared a free lunch. The retirement plan rules also create an end to the ability to defer income taxes for those products, in that eventually distributions—known by the acronym *RMDs*—are required.

Once a taxpayer reaches the *required beginning date*, minimum distributions must be taken from IRAs and qualified accounts every year.

In general, minimum distributions from IRAs and qualified plan accounts must be taken beginning with the *year a person turns 72*. The taxpayer can elect to wait to take the first RMD until April 1 of the calendar year after the one for which the RMD is due. The second RMD is due by December 31 of the year for which it is due.

A taxpayer who is still working has the ability to defer RMDs from qualified accounts sponsored by the employee's current employer if *all of the following conditions are met*:

1. The taxpayer does not own five percent or more of the company sponsoring the plan.
2. The taxpayer works for the employer for the entire year.
3. The qualified account is NOT IRA-based (such as a SEP or SIMPLE).

Those who meet all the conditions are allowed to defer RMDs from the employer's sponsored plan(s) for so long as the taxpayer stays employed at that company.

My clients ask me a variety of questions about RMDs, including:

- What is the *deadline* to take my RMD?
- What happens if I miss taking an RMD?
- Is there a way to turn an RMD into a *charitable contribution*?
- How is my RMD calculated?
- Are the minimum distribution rules about to change?
- Can distributions from one account be used to satisfy the RMD obligation for another?
- Can I *convert my RMD to a Roth IRA*?

Do you know wonder about the answers to these questions? Do you have different questions related to minimum distributions—or your IRA accounts in general—that you would like to talk over? I would be glad to have a conversation.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.

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