While RMD's for 2020 were paused due to Covid, you may need to take a distribution in 2021. If you were 70½ or older on December 31, 2019 or turned 72 prior to December 31, 2020 then you will need to take an RMD (unless another deferral due to the pandemic is enacted). The question that usually follows is, "How much must I take?" The chart below notes the divisor for the calculation along with the formula. Remember, you need not take a distribution from each IRA you own. You can combine the values and remove the total RMD amount from one IRA if you wish but you cannot combine 401k values in that calculation. RMD's must be taken from each type of account (401k, Traditional IRA, etc.). Still have questions? Contact your investment or tax advisor, or head to https://go.oncehub.com/ChuckVercellone to schedule a call to discuss.
----Chuck

Navigating Your Required Minimum Distribution

Understand the IRS's calculations and tables.

Provided by Charles D. Vercellone, ChFC

As much as you would like to, you can't keep your money in your retirement account forever.

These investment vehicles include 401(k)s, IRAs, and similar retirement accounts[1]. Under the SECURE Act, once you reach age 72, you must begin taking required minimum distributions from your 401(k), IRAs, or other defined contribution plans in most circumstances. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

Another major change that occurred from the SECURE Act is the removal of the age limit for traditional IRA contributions. Before the SECURE Act, you had to stop making contributions at age 70½. Now, you can continue to make contributions as long as you meet the earned-income requirement.[2]

How do you determine how much your RMD needs to be? It depends on whether or not you're married, and if you are, if your spouse is the sole beneficiary of your IRA and less than 10 years younger than you are. For everyone else, the Uniform Lifetime Table can help.

Keep in mind that this article is for informational purposes only, and the table below is meant to provide some guidance. The table is neither a recommendation nor a replacement for real-life advice. Always contact your tax, legal, or financial professional before making any changes to your required minimum distributions.

Uniform Lifetime Table (additional ages can be found on IRS.gov)

Age Distribution	Period	Age Distribution	Period	Age Distribution	Period	Age Distribution	Period
72 years old	25.6	**80 years old**	18.7	**88 years old**	12.7	**96 years old**	8.1
73 years old	24.7	**81 years old**	17.9	**89 years old**	12.0	**97 years old**	7.6
74 years old	23.8	**82 years old**	17.1	**90 years old**	11.4	**98 years old**	7.1

75 years old	22.9	**83 years old**	16.3	**91 years old**	10.8	**99 years old**	6.7
76 years old	22.0	**84 years old**	15.5	**92 years old**	10.2	**100 years old**	6.3
77 years old	21.2	**85 years old**	14.8	**93 years old**	9.6		
78 years old	20.3	**86 years old**	14.1	**94 years old**	9.1		

You can use the following formula to calculate a rough estimate of your RMD:

1. Determine the year-end balance of your account.
2. Find your age on the table and note the distribution period number.
3. Divide the total balance of your account by the distribution period. For example, say you're 72, and your account balance is $100,000. Your RMD may be about $3,906, based on the table.

Calculating your RMD isn't tricky, but understanding your RMD's role in your overall retirement strategy can be complicated. It's important to note that penalties can apply if you don't follow the mandatory distribution guidelines. A financial professional is an excellent resource for guidance.

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Citations

1. IRS.gov, September 23, 2020
2. NerdWallet.com, November 26, 2020
3. Internal Revenue Service IRA Required Minimum Distribution Worksheet, 2020

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