

# What to know about required minimum distributions (RMDs) at age 70½ and older

Once you reach your required beginning date (RBD), you will begin taking RMDs from any Traditional, SEP, and SIMPLE IRAs that you own, as well as from any qualified employer-sponsored retirement plans left at former employers. We find that clients have many questions about understanding the RMD rules. This fact sheet should provide you with answers to many frequently asked questions.

- **What is the Required Beginning Date (RBD)?**

The RBD is April 1 of the year following the year you turn 70½. This is when the IRS requires you to begin taking distributions.

- **Do I have to wait until the following April 1 to begin RMDs?**

No, you have the option to delay your first RMD until April 1 following the year you reach age 70½. Subsequent RMDs must be taken by December 31 of each year. You will owe ordinary income tax on the distribution.

If you delay your first year's distribution until the following year, you should note that you will have two distributions taxable in the same year — your first RMD and your second RMD, which must be taken by December 31. After your first distribution, annual distributions must be taken each year by December 31.

- **When must I begin taking distributions from my employer-sponsored plan?**

The RBD for employer-sponsored plans is the April 1 following the year you turn 70½ or, if you retire later than that age, you may be able to delay until April 1 of the year after you retire. Subsequent RMDs must be taken by December 31 of each year.

- **Since I am still working, can I delay my employer-sponsored plan RMD until I retire?**

Your RMD from the plan where you are employed can be delayed if the plan allows and you are not a 5% or more owner of the company sponsoring the plan.

- **What happens if I do not satisfy my RMD?**

You may be subject to a 50% IRS penalty tax on the difference between the RMD and the amount that you actually took.

- **Can I take more than my RMD?**

Yes. However, excess amounts taken will not offset the RMDs in future years.

- **What are the rules regarding aggregating RMDs?**

While your IRA RMDs will be calculated from the sum of all your Traditional, SEP, and SIMPLE IRAs, you may actually take your distribution from whichever Traditional, SEP, and SIMPLE IRA(s) you choose.

You cannot aggregate RMDs from all of your employer-sponsored retirement plans. You have to take RMDs from each plan. If you are no longer employed where the retirement plan is held, consider consolidating your assets by rolling over the plan into an IRA.

You cannot satisfy your IRA RMD from your employer-plan or vice versa.

- **If I purchase an immediate annuity with IRA funds, will this satisfy my RMD for all my IRAs?**

No. Once you buy an immediate annuity with IRA funds, the annuity is no longer part of the IRA held here. That immediate annuity contract is held with the insurance carrier. All payments received under the annuity contract are considered RMDs (and they are not eligible for rollover), and those distributions satisfy the RMD requirement for the annuity contract only. If you have other IRAs, the applicable RMDs for these accounts would need to be calculated separately from the immediate annuity payments. However, in the year that the annuity contract was purchased, the payments you receive in that year would count toward the applicable RMD amount for that specific year.

- **How do I determine the amount of my RMD each year?**

Your RMD is calculated by dividing your account balance at the end of the previous year by the appropriate life expectancy factor from IRS Life Expectancy Tables.

Your financial professional with our firm can provide you with an estimate of your RMD. You should confirm any calculation with your tax advisor, since our firm does not provide tax or legal advice.

- **How do I obtain my year-end account balance to use in my calculation?**

The value of your account as reflected on your end-of-year statement(s) should be used for your calculation. It is your responsibility to verify that the value of all assets in the IRA is accurately reflected on the statement.

Your prior year-end balance may need to be adjusted for certain transactions, such as pending rollovers, transfers, or a Roth recharacterization. Your annuity held in your IRA may be subject to the Entire Interest Regulation. Consult your tax advisor to verify the values that should be used in your calculation.

- **How do I determine the life expectancy factor to use in the calculation?**

Most IRA owners and plan participants will use the *Uniform Table*.

However, when a spouse is the sole primary beneficiary and is more than 10 years younger (11 or more) than you are, the *Joint Life Table* is used.

- **What life expectancy table is used if my beneficiary is not a spouse who is more than 10 years younger?**

The *Uniform Table* will be used.

- **What special rules apply if my beneficiary is a non-living entity – for example, an estate, charity, or trust?**

You will use the *Uniform Table* during your lifetime. However, when your beneficiary is a trust, the trust must meet certain IRS requirements in order for it to qualify as a designated beneficiary and allow the life of the oldest trust beneficiary to be used in calculating post death RMDs. More restrictive distribution options may result from the naming of a trust as beneficiary of your IRA. Contact your legal and tax advisors for advice on naming a trust as beneficiary of your IRA.

- **Am I required to distribute cash from my account to satisfy the RMD?**

No. Cash and/or securities can be distributed from your IRA. Remember that these assets can be transferred to your investment account at our firm.

- **Can I continue making contributions to my IRA if I am 70½ or older?**

No, not to a Traditional IRA. If you are still working, contributions can be made to a SEP or SIMPLE IRA. Remember, Roth IRA contributions are allowed after the age of 70½ if you or your spouse, if filing jointly, have earned income and meet the modified adjusted gross income (MAGI) requirements.

- **Can I transfer or roll over my IRA or other retirement plans, now that I am 70½?**

Yes. However, you may be required to take your RMD before the transfer or rollover.

- **Can I convert to a Roth IRA once I am 70½ or older?**

Yes. However, it will be necessary to take your RMD prior to the conversion. You are not able to convert your RMD.

- **How do I request a distribution from my IRA at your firm?**

Contact your financial professional from our firm for the appropriate distribution form. Please request your distributions at least 30 days prior to your required distribution deadline of December 31 or April 1.

Should you have additional questions, please feel free to contact your financial professional. We appreciate the opportunity you have given us to assist you in pursuing your retirement goals.

#### INVESTMENT AND INSURANCE PRODUCTS:

NOT INSURED BY FDIC	NO BANK GUARANTEE	MAY LOSE VALUE
---------------------	-------------------	----------------

Please Note: This material has been prepared for informational purposes only and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The accuracy and completeness of this information is not guaranteed and is subject to change. It is based on current tax information and legislation as of January 2013. Since each investor's situation is unique, you need to review your specific investment objectives, risk tolerance and liquidity needs with your financial professional(s) before a suitable investment strategy can be selected. Also, since our firm does not provide tax or legal advice, investors need to consult with their own tax and legal advisors before taking any action that may have tax or legal consequences.

Accounts carried by First Clearing, LLC, Member NYSE/SIPC.

© 2013 First Clearing, LLC. 0113 ECG-841855