

Taking Required Minimum Distributions (RMDs) from Your Traditional IRA

Critical Choices

RMD refers to the required minimum distributions that IRA owners must take from their account each year beginning when they reach age 70½.¹ The first of these distributions can be delayed until April 1 following the year the account holder reaches age 70½.¹ If the choice is made to delay the first RMD, rather than taking it by December 31 of the year in which the account holder reaches 70½, then he or she will need to take two distributions in the following year—one by April 1 and the second by December 31. Distributions must then be made by December 31 of each subsequent year. Failure to satisfy an RMD can result in a 50% IRS penalty on the difference between the amount that should have been distributed and the amount that was actually withdrawn.

In April 2002, the IRS finalized new RMD rules which became effective January 1, 2003. Prior to the new rules taking effect, the RMD amount was determined using one of several calculation methods. Variations in the calculation were based on the method of distribution and the choice of beneficiaries. Once an individual selected a calculation method, it generally could not be changed. This oftentimes resulted in an IRA having to be completely liquidated soon after the owner's death—resulting in potentially large tax bills for the beneficiaries.

How Is an RMD Calculated?

It's now easier than it was in the past to determine your RMD amount. The new IRS Uniform Lifetime Table can be used by almost all IRA owners. In fact, the only exception is if the sole primary beneficiary is a spouse who is more than 10 years younger than the account owner. In that case, the required distributions are based on the ages of the account owner and his or her spouse—which will result in an even lower annual minimum distribution.

Uniform Lifetime Table

Effective for distribution years beginning in 2002

Age	Applicable Divisor	Age	Applicable Divisor	Age	Applicable Divisor
70	27.4	86	14.1	101	5.9
71	26.5	87	13.4	102	5.5
72	25.6	88	12.7	103	5.2
73	24.7	89	12.0	104	4.9
74	23.8	90	11.4	105	4.5
75	22.9	91	10.8	106	4.2
76	22.0	92	10.2	107	3.9
77	21.2	93	9.6	108	3.7
78	20.3	94	9.1	109	3.4
79	19.5	95	8.6	110	3.1
80	18.7	96	8.1	111	2.9
81	17.9	97	7.6	112	2.6
82	17.1	98	7.1	113	2.4
83	16.3	99	6.7	114	2.1
84	15.5	100	6.3	115+	1.9
85	14.8				

This table should be used for calculating lifetime distributions only. Please note, the ages refer to the account owner's age as of December 31 of the year for which the RMD is being taken.

1. Individuals participating in employer-sponsored retirement plans who are not 5% owners and who are still employed by that employer at age 70½, may be able to delay RMDs from that employer's plan until April 1 of the calendar year following the year in which he or she retires.



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Individual Retirement Answers

To calculate the required minimum distribution, simply divide the account balance (fair market value) as of December 31 of the previous year, by the applicable divisor from the appropriate table. Consider the example of an unmarried 73-year-old account owner with the previous year's December 31 IRA account balance of \$500,000. Using the Uniform Lifetime Table he would be required to take a minimum distribution of \$20,243 ($\$500,000 \div 24.7$).

Benefits of the New RMD Rules

> Potentially Lower Taxes

In virtually all cases, the amount of money you must withdraw when you start taking distributions has declined as a result of the new RMD rules. Smaller distributions means that your tax bill will potentially be lower, since taxes only apply to money when it's withdrawn from your account. As a result, a larger portion of your assets can continue to grow tax-deferred to help build wealth.

> Increased Flexibility

With the new IRS rules, you have the flexibility to change your beneficiaries at any time—even after you begin taking mandatory distributions. What's more, in most cases, doing so will not increase your minimum distribution.

> Legacy Planning

Lower RMD amounts means more of your assets continue to grow on a tax-deferred basis, which can result in more of your IRA assets going to your beneficiaries.

Learn More About RMDs

To learn more, please speak with your financial professional. He or she can review your situation and help you determine which IRA distribution strategy is right for you.

Looking for more information on required minimum distributions? Visit The Rollover Consulting Group's web site at www.rolloverconsultinggroup.com for access to an RMD calculator. The site also features additional calculators and helpful retirement information.

In developing a strategy for your retirement plan, your financial professional can access the resources of The Rollover Consulting Group—an experienced group of retirement consultants who understand the nuances of retirement planning. With guidance from your financial professional and The Rollover Consulting Group, you have the opportunity to maximize your retirement savings. The Rollover Consulting Group's services are provided by New York Life Investment Management LLC, a wholly owned subsidiary of New York Life Insurance Company.

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