

Planning Tips for Managing RMDs Efficiently

Reaching Required Minimum Distribution (RMD) age marks a major financial planning milestone. It's when the IRS begins requiring withdrawals from your tax-deferred retirement accounts – shifting your focus from saving to strategic income and tax management. Thoughtful planning around RMDs can help minimize taxes, preserve savings, and support charitable or legacy goals. Here are items to consider relative to your RMDs:

When RMDs Begin

- Born 1950 or earlier: RMDs began at age 72 (or 70½ if you reached 70½ before 2020).
- Born 1951–1959: RMDs begin at age 73.
- Born 1960 or later: RMDs begin at age 75.
- Note, your first RMD must be taken by April 1 of the year after you reach your required beginning age; subsequent RMDs are due by December 31 each year.

Accounts Subject to RMDs

- Traditional IRAs, SEP IRAs, SIMPLE IRAs, and most employer retirement plans (401(k), 403(b), 457(b)) are subject to RMDs.
- Roth IRAs do not have RMDs during the owner's lifetime.
- Inherited accounts (including Roth IRAs) have different distribution rules – typically a 10-year rule for most non-spouse beneficiaries.

Tax Considerations

- Distributions from the accounts subject to RMDs are taxed as ordinary income in the year withdrawn.
- Failing to take an RMD can trigger a 25% penalty on the amount not withdrawn (reduced to 10% if corrected promptly).
- For individuals with large tax-deferred accounts, years leading up to RMDs can be a vital planning opportunity – one consideration being Roth Conversions.
- A tax savings opportunity for those with philanthropic objectives would be Qualified Charitable Distributions (QCDs)

Qualified Charitable Distributions (QCDs)

- QCDs are available once you turn age 70½, even if RMDs haven't started.
- For the 2026 tax year, you can give up to \$115,000 directly to qualified charities.
- Taking your full RMD as a distribution to yourself first and then donating cash could result in a higher tax bill than if you were to give through a QCD directly from your qualified account.
- QCDs count toward your RMD amount, but are excluded from taxable income. This may help reduce Medicare premiums and taxation on Social Security.

Planning Considerations

- Consolidating IRAs to simplify RMD management can be beneficial.
- If you have multiple IRAs, you will need to calculate RMDs separately for each account using the prior year's 12/31 account value, but you may be able to take all RMDs from any one IRA.
- Employer plan RMDs must be calculated and taken separately from IRAs.
- Consider timing withdrawals for tax efficiency – spreading income to avoid higher brackets.
- Use RMD planning as part of your comprehensive retirement income and tax strategy discussions with your advisor.

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