Required minimum distributions

The IRS requires that individuals take minimum distributions from traditional and rollover IRAs as well as retirement plans. The required minimum distribution (RMD) rules for IRA owners and for retirement plan participants are different. Additionally, Roth IRAs are not subject to RMDs at all. Please read below to see a brief overview of the RMD rules that apply during the individual's lifetime.

The IRS has rules regarding the timing and amount that must be distributed as a required minimum distribution each year. Retirement plan participants and IRA owners are responsible for ensuring that the correct amount is distributed timely each year. Failure to withdraw the correct RMD amount or failure to withdraw the RMD on time will result in a 50 percent tax assessed against the individual on the amount not withdrawn. Further, these failures could result in plan disqualification.

The amount of the annual minimum distribution is based on the balance of the account at the end of the preceding year, the individual's life expectancy or the joint life expectancy of the individual and their beneficiary.

Traditional and rollover IRAs RMD rules

The first RMD must be taken by April 1 of the year following the year the IRA owner turns 70½, then by December 31 of each year thereafter.

An IRA owner must calculate the RMD separately for each IRA that he or she owns, but can withdraw the total RMD amount from one or more of the IRAs.

Retirement plan RMD rules

The RMD rules apply to all employer-sponsored retirement plans, including profit sharing plans, 401(k) plans, 403(b) plans and 457(b) plans. The rules also apply to SEPs, SARSEPS and SIMPLE IRAs.

Generally, a retirement plan participant must take an RMD by the later of April 1 of the year following the year he or she reaches 70½ or the year in which they retire. However, if an individual is a more than 5 percent owner of the business sponsoring the retirement plan, the RMDs must begin by April 1 of the year following the year he she reaches 70½, regardless of whether he or she is retired. The plan document may dictate that all RMDs must begin by April 1 of the year following the year the participant reaches age 70½. Please review your plan document to determine when RMDs must begin.

A 403(b) contract owner must calculate the RMD separately for each 403(b) contract that he or she owns, but can take the total amount from one or more of the 403(b) contracts.

See "FAQs regarding Required Minimum Distributions" at *www.irs.gov* or contact your tax advisor for additional information.

However, RMDs required from other types of retirement plans, such as 401(k) plans and 457(b) plans, have to be taken separately from each plan.

Note

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