Taking the Mystery Out of Required Minimum Distributions (RMDs)

Individual Retirement Accounts (IRAs) were created to help people save and reach retirement goals. Over the years, the assets in your IRA are shielded from taxation, thus allowing you the opportunity to save more for retirement. However, Uncle Sam won't let tax deferral continue forever. You must start taking annual minimum payments called required minimum distributions (RMDs) from your Traditional, SEP, and SIMPLE IRA (not Roth IRA). Failure to do so results in a hefty 50% penalty, so it's important that you understand these payments.

1. **When must I take my first RMD?**
   Typically, RMDs must be taken by December 31 each year after you turn 70½. However, the required date of your first RMD is April 1 of the year following the year in which you turn 70½. This means that even though you may turn 70½ in one year, you may delay the first RMD until April 1 of the following year. Note that only the first RMD may be delayed, and if delayed, you must take a second RMD in that same year by December 31.

2. **How do I calculate an RMD and what is the "Uniform Lifetime Table"?**
   To determine RMDs, a simple formula must be used. Divide the previous year's December 31 value of all your IRAs by a factor found in the IRS Uniform Lifetime Table, or as it's commonly called, the "Uniform Table." The factor represents the joint life expectancy of a person who is age 70 or older and an assumed beneficiary who is 10 years younger. However, if your spouse is the primary beneficiary and is greater than 10 years younger than you, both you and your spouse's actual ages may be used to determine your factor by referencing the IRS Joint Life and Last Survivor Expectancy Table.

3. **What age will I use when I reference the Uniform Table?**
   Use the age you will be as of December 31 of the year the RMD is intended. For example, if you are turning 72 in December 2007, you would use the factor that coincides with age 72 for the 2007 RMD calculation.

4. **What if I don't take an RMD or take the wrong amount?**
   RMDs are determined each year by using an IRS prescribed formula, and failing to take an RMD, or taking the wrong amount, results in a penalty of 50% of the difference of the required amount and the actual amount withdrawn.

5. **Must I take an RMD from each IRA I own?**
   If you have multiple IRA accounts, it is essential to include the value of all of your IRAs when you determine RMDs. However, rather than taking an RMD from each IRA, you can aggregate the RMDs and take the total from any of the IRAs you own.

6. **Must RMDs be taken from employer-sponsored plans?**
   If you participate in an employer-sponsored SEP or SIMPLE IRA, you must include the value of these IRA plans when you calculate your RMD. However, you may take an RMD from the particular IRA plan, or you may aggregate the values and take the RMD from other IRAs that you own. If you participate in an employer-sponsored qualified retirement plan (QRP), such as a 401(k), you <u>cannot</u> aggregate the values of these with an IRA. You may be able to delay these RMDs until you retire, so it's important that you contact your employer's Human Resources Benefit Specialist for proper guidance.

7. **Will Stifel help me calculate my RMD each year?**
   Yes. Each January you will receive a letter from Stifel that contains that year's RMD calculation for each IRA held at Stifel (not Roth IRAs or QRPs). In addition, your monthly statement will contain updated RMD information throughout the year.

8. **Is it important to name a beneficiary for my IRA?**
   When you name beneficiaries, you appoint who will inherit the assets in your IRA after your death. If you fail to name a beneficiary, generally the assets in your IRA will pass to your estate and will be subject to applicable probate laws and creditors. By naming beneficiaries, you are ensured that your IRA assets will be available to the people you want to receive them.

9. **Will my beneficiaries have to take RMDs?**
   If your spouse is your primary beneficiary, your spouse can continue to take RMDs or roll over the assets into his or her own IRA. A rollover could possibly stop or slow RMDs that are currently being taken until your spouse turns 70½. At that time, RMDs must begin using the *Uniform Table* (see # 2 above).

   Generally, non-spouse beneficiaries of Traditional, Roth, SEP, or SIMPLE IRAs will take RMDs based on their own single life expectancy, beginning by December 31 in the year after the year of your death. Their first RMD will be calculated using a factor from the IRS Single Life Table. All subsequent years' RMDs will not be recalculated, rather the original life expectancy factor will be reduced by one.

10. **Do beneficiaries under age 59½ have to pay a 10% penalty on RMDs?**
    RMDs are subject to ordinary income tax, but are not subject to the 10% premature penalty tax.

11. **Can I take more than the RMD and are there other distribution options available?**
    The RMD is the minimum amount. Spouse or non-spouse beneficiaries can always accelerate payments, or take a total distribution.

Your situation is unique, and it's important that you talk to your investment professional or CPA for complete RMD information and the RMD strategy that may be best for you and your beneficiaries. For detailed information, an example of how to calculate RMDs, and a copy of the Uniform Lifetime Table, please see the reverse side.

How do I calculate a required minimum distribution (RMD)?

To calculate an RMD, follow these four simple steps:

Step 1 – Determine your age on December 31 of the year the RMD is required.

Step 2 – Find this age and the corresponding life expectancy factor from the Uniform Lifetime Table listed below.

Step 3 – Determine the value of all your IRAs as of December 31 of the previous year.

Step 4 – Divide the aggregated value of all of your IRAs by the corresponding life expectancy factor.

For example, if your balance on December 31, 2006 of your aggregated IRAs is $100,000 and you will turn age 76 by December 31, 2007, you simply divide $100,000 by 22 to determine your 2007 RMD. Your minimum required distribution is $4,545.46 for 2007.

For subsequent years, you must recalculate your RMD, so always determine your previous year's December 31 aggregated IRA value and divide that total by the factor for your age on December 31 of the current year.

Uniform Lifetime Table

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

Please note that this information is for educational purposes only and it is always recommended that you seek the aid of a competent tax advisor or tax attorney to assist you with tax advice and guidance.