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Some food for thought, etc.

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What Are Required Minimum Distributions (RMDs)?

Required minimum distributions, often referred to as RMDs or minimum required distributions, are amounts that the federal government requires you to withdraw annually from traditional IRAs and employer-sponsored retirement plans after you reach age 70½ (or, in some cases, after you retire). You can always withdraw more than the minimum amount from your IRA or plan in any year, but if you withdraw less than the required minimum, you will be subject to a federal penalty.

The RMD rules are calculated to spread out the distribution of your entire interest in an IRA or plan account over your lifetime. The purpose of the RMD rules is to ensure that people don't just accumulate retirement accounts, defer taxation, and leave these retirement funds as an inheritance. Instead, required minimum distributions generally have the effect of producing taxable income during your lifetime.

When Must RMDs Be Taken?

Your first required distribution from an IRA or retirement plan is for the year you reach age 70½. However, you have some flexibility as to when you actually have to take this first-year distribution. You can take it during the year you reach age 70½, or you can delay it until April 1 of the following year.

Since this first distribution generally must be taken no later than April 1 following the year you reach age 70½, this April 1 date is known as your required beginning date. Required distributions for subsequent years must be taken no later than December 31 of each calendar year until you die or your balance is reduced to zero. This means that if you opt to delay your first distribution until April 1 of the following year, you will be required to take two distributions during that year--your first year's required distribution and your second year's required distribution.

Example: *You have a traditional IRA. Your 70th birthday is December 2, 2016, so you will reach age 70½ in 2017. You can take your first RMD during 2017, or you can delay it until April 1, 2018. If you choose to delay your first distribution until 2018, you will have to take two required distributions during 2018--one for 2017 and one for 2018. This is because your required distribution for 2017 cannot be delayed until the following year.*

There is one situation in which your required beginning date can be later than described above. If you continue working past age 70½ and are still participating in your employer's retirement plan, your required beginning date under the plan of your current employer can be as late as April 1 following the calendar year in which you retire (if the retirement plan allows this and you own 5 percent or less of the company). Again, subsequent distributions must be taken no later than December 31 of each calendar year.

How Are RMDs Calculated?

RMDs are calculated by dividing your traditional IRA or retirement plan account balance by a life expectancy factor specified in IRS tables. Your account balance is usually calculated as of December 31 of the year preceding the calendar year for which the distribution is required to be made.

Example(s): *You have a traditional IRA. Your 70th birthday is November 1 of year one, and you therefore reach age 70½ in year two. Because you turn 70½ in year two, you must take an RMD for year two from your IRA. This distribution (your first RMD) must be taken no later than April 1 of year three. In calculating this RMD, you must use the total value of your IRA as of December 31 of year one.*

Caution: *When calculating the RMD amount for your second distribution year, you base the calculation on the IRA or plan balance as of December 31 of the first distribution year (the year you reached age 70½) regardless of whether or not you waited until April 1 of the following year to take your first required distribution.*

For most taxpayers, calculating RMDs is straightforward. For each calendar year, simply divide your account balance as of December 31 of the prior Calculator year by your distribution period, determined under the Uniform Lifetime Table using your attained age in that calendar year. This life expectancy table is based on the assumption that you have designated a beneficiary who is exactly 10 years younger than you are. Every IRA owner's and plan participant's calculation is based on the same assumption.

There is one exception to the procedure described above-- the younger spouse rule. If your sole designated beneficiary is your spouse, and he or she is more than 10 years younger than you, the calculation of your RMDs may be based on the longer joint and survivor life expectancy of you and your spouse. (The life expectancy factors can also be found in IRS publication 590.) Consequently, if your spouse is your designated beneficiary and is more than 10 years younger than you, you can take your RMDs over a longer payout period than under the Uniform Lifetime Table. If your beneficiary is not your spouse, or a spouse who is not more than 10 years younger than you, then you must use the shorter payout period specified in the Uniform Lifetime Table.

If you have multiple IRAs, an RMD is calculated separately for each IRA. However, you can withdraw the required amount from any one or more IRAs. Inherited IRAs are not included with your own for this purpose. (Similar rules apply to Section 403(b) accounts.) If you participate in more than one employer retirement plan, your RMD is calculated separately for each plan and must be paid from that plan.

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- *Timothy Geithner*

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Should You Delay Your First RMD?

Remember, you have the option of delaying your first distribution until April 1 following the calendar year in which you reach age 70½ (or April 1 following the calendar year in which you retire, in some cases).

You might delay taking your first distribution if you expect to be in a lower income tax bracket in the following year, perhaps because you're no longer working or will have less income from other sources. However, if you wait until the following year to take your first distribution, your second distribution must be made on or by December 31 of that same year. Receiving your first and second RMDs in the same year may not be in your best interest. Since this "double" distribution will increase your taxable income for the year, it will probably cause you to pay more in federal and state income taxes. It could even push you into a higher federal income tax bracket for the year. In addition, the increased income may cause you to lose the benefit of certain tax exemptions and deductions that might otherwise be available to you. So the decision of whether to delay your first required distribution can be important, and should be based on your personal tax situation.

What If You Fail to Take RMDs As Required?

You can always withdraw more than you are required to from your IRAs and retirement plans. However, if you fail to take at least the RMD for any year (or if you take it too late), you will be subject to a federal penalty. The penalty is a 50 percent excise tax on the amount by which the RMD exceeds the distributions actually made to you during the taxable

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Source (BroadridgeInvestor Communication Solutions, Inc.)

Recipe of the Month

Burgundy Mushrooms

Prep Total Time: ***40 min***

Ingredients:

- *1/2 cup diced onion*
- *1 (10.5 ounce) can beef broth*
- *2 (8 ounce) cans whole mushrooms, drained, liquid reserved from one can*
- *1/3 cup Burgundy wine*

Directions:

- In a small saucepan, simmer the onion for 15 minutes in beef broth. Add mushrooms, reserved liquid, and wine, and simmer another 15 minutes, or until liquid is reduced by half. Serve warm.

Original recipe makes 4 servings.