Taking required minimum distributions may be the rule, but it also allows you to stretch your savings through retirement.

Ready or not, it may be time to make use of the money you've been saving in your IRA or retirement plan. Once you reach age 70½, withdrawing money from these plans is a must.

Learn more today.

For More Information

The questions and answers contained in this brochure are simplified. Before making any decisions, LCEF encourages you to consult with your tax advisor.

For more information or questions, call LCEF at 800-843-5233.

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Required Minimum Distributions

Stretching Your Retirement Savings

Lutheran Church Extension Fund
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"By taking required minimum distributions, I can avoid a penalty tax and make sure that what I saved provides a steady income during retirement."

To prevent individuals from sheltering their retirement savings from tax indefinitely, Congress mandates that once you turn age 70½ you take a certain amount out of your Traditional IRA, savings incentive match plan for employees of small employers (SIMPLE) IRA, or qualified retirement plan (QRP) every year until the account is depleted. The amount that must be taken is called a "required minimum distribution" (RMD).

Time to Stretch

If you have a Traditional IRA, SIMPLE IRA, or QRP (e.g., 401(k) plan), you generally must begin taking RMDs the year you turn age 70½. This may be the same year you turn 70 or the year you turn 71, depending on when your birthday falls.

As the account owner, you are responsible for taking your RMD. But if you have an IRA, you should receive notification from your financial organization by January 31 that you have an RMD due for the year. The financial organization also informs the IRS of this. Your QRP administrator will have its own procedure for communicating with you about RMDs.

First RMD

The deadline to take your first RMD is called the "required beginning date" (RBD). If you own an IRA, your RBD is April 1 of the year following the year you reach age 70½.

If you have a QRP, your RBD is defined within the plan document. It generally is April 1 of the year following the year you reach age 70½ or April 1 of the year following the year you retire from the employer maintaining your QRP, whichever is later.

Subsequent RMDs

RMDs due for years after your 70½ year must be taken by December 31 each year. Keep in mind that if you wait until April 1 to take your first RMD, your second RMD is still due December 31 of the same year.

Stretch to Prevent… Penalties

If you do not take at least the minimum amount by the deadline, you will be subject to an IRS penalty tax of 50 percent of the amount that was not taken.

Reach, Extend, Calculate

So how do you know what your RMD amount is? Your IRA or plan administrator may calculate it for you. Your RMD generally is determined by dividing your prior year-end account balance by your life expectancy factor. This factor is found by referring to the IRS' Uniform Lifetime Table, using the age you become in the year that the RMD is due. In certain circumstances, the Joint Life Expectancy Table may be used. Both tables are in IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, at www.irs.gov. You also may want to consult your IRA or plan administrator or a competent tax advisor.

Range of Motion

When stretching your retirement income with RMDs, note a few key points.

If you are rolling over IRA or QRP assets, be sure to take your RMD amount first, as RMDs are not allowed to be rolled over. You can then roll over the remaining account balance.

Perhaps you own more than one IRA or have both an IRA and QRP. You may take the total of all of your IRA RMDs from one IRA, provided you've calculated the RMD for each IRA separately. Any QRP RMDs must be taken from the QRP itself. IRA and QRP RMDs cannot be combined and taken from one IRA or QRP.

An RMD is the minimum amount that you must take each year. You can take more than the RMD amount, but taking just the RMD may stretch your IRA or QRP savings throughout your life expectancy.

And don't forget, RMDs generally are taxable to you. You must include any taxable amounts in your income for the year of the distribution.

A qualified charitable distribution (QCD) satisfies your IRA RMD for the year and is tax-free. A QCD is an IRA distribution made by an individual age 70½ or older that is paid directly to an eligible charitable organization. You are limited to $100,000 annually for QCDs. See a competent tax advisor for more information.