

Taking Required Distributions From Your Retirement Plan

You may not receive any notification of your required beginning date or your required minimum distribution. It is up to you to know the rules and comply.

Getting your money out of a retirement account is not as easy as putting it in. During retirement, when it should be easy to spend your retirement savings, it can be complicated, as you consider tax issues, required annual withdrawals, and a beneficiary's ability to access your plan.

- The IRS requires that you start distributions from non-Roth retirement plans by April 1 following the year you turn 70 1/2. These are called required minimum distributions -- or RMDs.

Computing Your Required Minimum Distribution

While you may always withdraw larger amounts, the IRS computes a required minimum withdrawal figure using either your life expectancy number or the joint life expectancy of you and your beneficiary. The withdrawal factor is applied to your retirement plans as valued on December 31 of the year **prior to** the distribution.

Your Life Expectancy

The IRS has several tables that are used to determine the time period over which you must take your withdrawals. The table that you should use will depend on who the beneficiary of your IRA is, and other factors. It is important to read the instructions to the tables (which are in IRS Publication 970) to ensure that you use them correctly.

More Than One Retirement Account

If you have more than one retirement account, start by computing the required distribution for each (the factor may differ if you have different beneficiaries). For employer plans, you must take the required amount out of each plan. However for IRAs, you may add up the required distributions for several IRAs and take the total out of whichever account you choose, as long as you take at least the required total. You may also aggregate required distributions from tax-deferred annuities (TDAs) in the same way, but you cannot mix IRAs and TDAs, nor may you aggregate inherited IRAs or TDAs with your own IRAs and TDAs. Some retirement plan custodians will calculate the RMD on an annual basis and either notify you of the required distribution or actually make the distribution to you.

Penalties for Noncompliance

You may not receive any notification of your required beginning date or your required minimum distribution. Your financial institution may help, but it is up to you to know the rules and comply. If you do not comply, Uncle Sam will penalize you 50% of the amount you should have removed plus any income taxes that would have been due on the required withdrawal. Because the distribution rules are complex, you may want to consult your accountant or financial advisor who can help you understand the details.

Rules regarding retirement plans are subject to change and it's important to pay attention to changes in the law as they occur. In many cases, mailings that arrive with your IRA or employer plan statements will give you good explanations of any changes in retirement plan laws and how they may affect you.

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