

Required Minimum Distribution

Distribution Required when Participants Reach Age 73



Retirement plan rules mandate that Required Minimum Distributions (RMDs) must be withdrawn annually from a participant's account upon attainment of age 73. This document provides general information about the RMD requirements.

Who is required to take an RMD?

The following participants are required to take RMDs each year:

- **Age 73 and Terminated / Retired –** Participants that attain age 73 or older during the calendar year and their employment status is Terminated or Retired.
- **Age 73 Owner Still Working –** Participants that attain age 73 or older during the calendar year and owned more than 5% of the company during the prior plan year.
- **Age 73 and Related to Owner –** Participants that attain age 73 or older during the calendar year and is related to an owner during the prior plan year.

When are participants required to begin taking an RMD withdrawal?

RMD withdrawals will be required annually until the account is exhausted. Each year's withdrawal must be disbursed by December 31st of the applicable year with the exception of the first year which may be delayed until April 1st of the following year. If the participant elects to delay this first withdrawal until the following year, they will then be required to take two RMD withdrawals that year (one by April 1st and another by December 31st).

NOTE: RMD withdrawals are NOT eligible for rollover.

How are RMD withdrawals calculated?

A RMD withdrawal is calculated using the prior year's December 31st account balance and dividing the amount by a life expectancy factor published by IRS.

The three main life expectancy tables used are:

- **Single Life Expectancy Table:** if the account owner is already a beneficiary;
- **Joint and Last Survivor Table:** sole beneficiary of the account is the spouse and the spouse is more than 10 years younger than the participant;
- **Uniform Lifetime Table:** spouse is not the sole beneficiary or the spouse is not more than 10 years younger than the participant.

Are RMDs subject to taxation?

Required Minimum Distributions are subject to federal income tax depending on the character of the funds being withdrawn. Some funds, such as Roth funds, are not subject to income tax. A 10% Federal Tax Withholding is required unless the participant elects to opt out or elects another amount. The withdrawal amount is taxed at the participant's income tax rate.

What is the penalty for failure to take a RMD?

Failure to comply with the RMD rules can subject the participant to a penalty of 50% of the required withdrawal amount.

Please contact JULY at [888.333.5859](tel:888.333.5859) for more information.