

How do you determine your life expectancy when calculating your RMD?

You can, in most cases, determine the applicable life expectancy multiple by using the Uniform Lifetime Distribution table (shown below).

To find the applicable life-expectancy multiple for the year, look up your age on your birthday in the year for which the distribution is being determined on the distribution table below and find the corresponding multiple. You will then divide your prior year December 31 traditional IRA balance by this multiple.

Uniform Lifetime Distribution Table

Age - Applicable life-expectancy multiple

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

Does the Uniform Lifetime Distribution Table for determining life expectancy work for everyone?

No. If your spouse is your sole primary beneficiary during the entire distribution calendar year, and your spouse is more than ten years younger than you, instead of using the uniform table for determining life expectancy you may use the recalculated joint life expectancy of you and your spouse to calculate your RMD.

Are there any penalties for not taking the full RMD?

Yes. If you withdraw less than the RMD amount for any year, you will incur the IRS 50% excess accumulation penalty on the amount you should have withdrawn, but didn't.

Traditional IRA Distributions

WEST-AIRCOMM FEDERAL CREDIT UNION

485 Buffalo Street • P.O. Box 568
Beaver, PA 15009-0568

Telephone: 724-775-6640 • www.westaircomm.com



This brochure is for general information only and is not intended to provide specific advice or recommendations for any individual. It is important to note that the IRS may provide more guidance with respect to new rules and therefore the information provided is subject to some modification.

We suggest that you consult your attorney, accountant, financial or tax advisor with regard to your personal situation.

Know the regulations
for IRA withdrawals.

Individual Retirement Accounts (IRAs) were created specifically to encourage people to save for retirement. Incentives include deferring taxes on earnings until funds are withdrawn and, in some cases, a tax deduction for contributions.

As attractive as it is to save through an IRA, there comes a time when you'll want or need to withdraw your funds. This brochure will help you plan ahead by answering the most often asked questions about IRA distributions.

What are the regulations governing IRA withdrawals?

To discourage people from withdrawing funds, the federal government imposes a penalty for early distributions. There is a 10% penalty for withdrawing all or any part of the account before age 59½, with the following exceptions:

- In the event of death or total disability
- As a qualified first-time homebuyer you may withdraw up to \$10,000 during your lifetime
- If you use the withdrawal to pay qualified higher education expenses
- If you don't have health insurance, or you have out-of-pocket medical expenses that aren't covered by insurance, you may be able to take penalty-free distributions from your IRA to cover these unpaid expenses.
- If you're unemployed, you may take penalty-free distributions from your IRA to pay for health insurance premiums. In order for the distribution to be eligible for the penalty-free treatment, you must meet certain conditions
- You choose to take a series of substantially equal periodic payments. Basically, you withdraw the same amount—each year for five years or until you turn 59½, whichever comes later.
- You're paying back taxes to the federal government for a levy placed against your IRA
- Distributions made to a qualified military reservist
- Qualified birth or adoption distributions up to \$5,000

Be sure to consult with a trusted tax professional to determine whether your expenses qualify.



Once you reach age 59½, you can begin taking money out of your account without penalty. However, many people prefer to leave their funds untouched until they actually need them. This allows their money to continue growing through tax-deferred interest compounding.

When must distributions be taken?

Starting January 1, 2020, if you're the original account holder, you are required to begin taking distributions from your account once you reach age 72. Those who've just turned 72 in a given year have until April 1 of the following year to start taking their required minimum distributions. After that one-time extension, withdrawals in subsequent years must be complete by the end of the calendar year.

If you turned 70½ in 2019, you would need to continue to take RMDs in 2020 and beyond.

Government regulations specify a minimum amount you must withdraw each year. Failure to do so will result in substantial penalties; 50% of the amount you should have withdrawn, but didn't.

What about taxes?

Earnings from your Individual Retirement Account funds are taxed as ordinary income. Your original contributions may or may not be taxable, depending on whether you took a tax deduction when you made them. If you have made both deductible and nondeductible contributions to your IRA, you will be required to take proportionate distributions of both. Your tax advisor can help you calculate the portion on which you must pay tax.

What are your options for distributions?

There are two basic options for traditional IRA distributions after age 59½ without penalty.

1. You may withdraw your entire or any portion of the balance in your IRA account.

2. You must begin to take Required Minimum Distributions (RMDs) from your traditional IRA in the year in which you reach age 72 or you may take sums larger than the RMDs as you need them.

Let's look at each option.

The **first option** – withdrawing all or a portion of your funds has one distinctive disadvantage. The amount withdrawn will be subject to taxation as ordinary income in a single year. This could result in a substantial tax liability for you, and a significant decrease in the amount of money you can actually use for your retirement.

The **second option** requires you to take the RMD in the year in which you reach age 72. You must take the distribution for the first year by April 1st of the year following the year you reach age 72. December 31st of each subsequent year is the date by which you must take distributions for all subsequent years.

You may elect to take sums larger than the required RMDs if you need the money to meet expenses. Bear in mind, however, that you will be taxed on the amounts you withdraw. And you run the risk of depleting your funds within your lifetime.

How do you calculate your Required Minimum Distributions (RMDs)?

Your RMD is calculated by dividing your traditional IRA balance by a life expectancy multiple. Generally, your individual calculation would change each year.

How do you determine your Traditional IRA balance used to calculate your RMD?

The balance used in the RMD calculation is the total value of all traditional IRAs as of December 31 of the year before the year for which the distribution is being made.

What if you have more than one IRA?

The IRS permits you to take your required minimum distributions from the account or accounts of your choice. However, the amount of the minimum distribution must be based on the total of all of your accounts. While you're not required to consolidate multiple accounts, it makes a great deal of sense to do so. Consolidating makes your recordkeeping easier and enables you to keep a closer eye on this most important retirement savings fund. We would be happy to help you consolidate your accounts with us.