

RMD timeline rules

Your reference guide for required minimum distributions (RMDs)

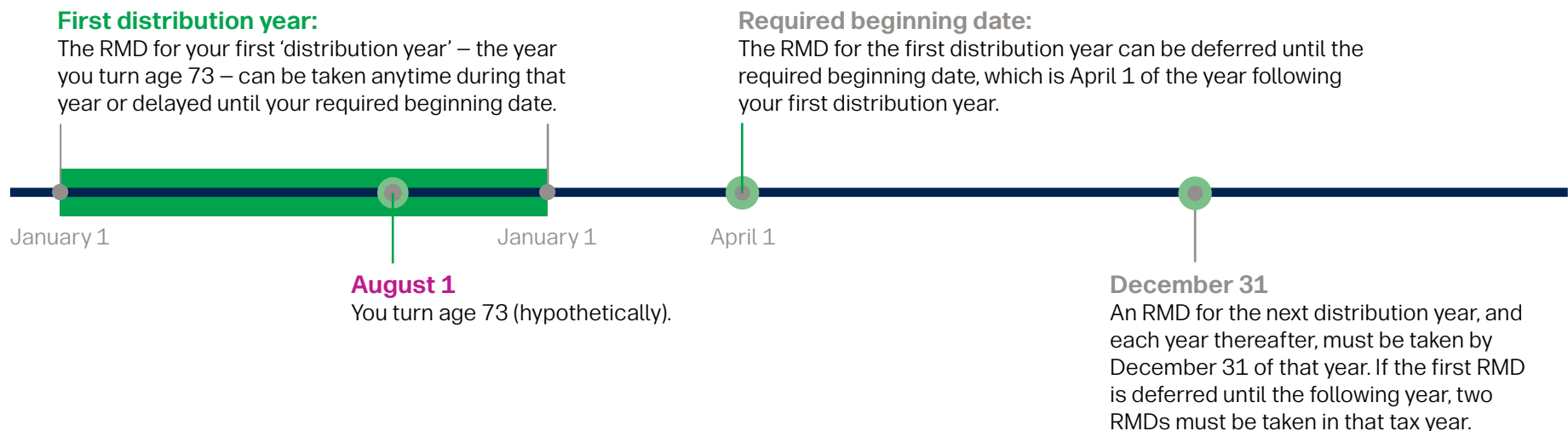
You've been saving for the retirement of your dreams, and it's just around the corner, but there's more to a comprehensive financial strategy than just accumulating assets. How and when you withdraw income from your retirement accounts has big implications; so it's critical to understand the rules – particularly important are required minimum distributions.

Because IRAs were designed as tax-deferred retirement savings plans, the IRS limits how long an individual can maintain the tax-deferred status of an IRA (other than a Roth IRA). RMDs are distributions subject to ordinary income taxation and must be taken each calendar year, beginning with the calendar year in which the owner attains age 73. The distribution for the year the IRA owner attains age 73 must be made no later than April 1 of the following calendar year; RMDs for any other year must be made no later than December 31 of that year.

Understanding how RMDs work is very important because failure to take an RMD may result in a 25% additional federal tax on the amount that should have been withdrawn. If, however, the missed RMD is taken within the correction window, then the penalty is reduced to 10%. You should consult with your financial professional to determine the impact RMDs will have on your overall retirement and financial objectives.

RMD timeline

The following timeline illustrates when RMDs are required.



Not insured by the FDIC or any federal government agency. May lose value. Not a deposit or guaranteed by any bank, bank affiliate, or credit union.



Don't need or want your RMD?

If you think you're in good financial shape and don't need your RMD right away, you have some options:

Reinvest your RMD

Although you have to take RMDs from an IRA (other than a Roth IRA), you don't have to spend them. Depending upon your retirement income objectives, your RMD may exceed the amount you want to spend. Reinvesting some or all of your RMD may be important to maintaining a sustainable withdrawal strategy over the course of your retirement.

Buy life insurance

If you don't need or want some or all of your RMD, talk to your financial professional about establishing a legacy for your loved ones through the purchase of life insurance.

Donate your RMD to charity

Through a qualified charitable distribution (QCD), IRA owners over the age of 70½ can gift IRA funds directly to a qualified charity. The QCD counts toward your RMD for the year and is capped at an annual exclusion of \$111,000 per individual in 2026. Due to new tax law, the amount you can exclude from income may be less than the QCD. Consult a tax professional to discuss your personal situation.*

Eliminate your RMD

Roth IRAs are not subject to RMDs for owners. Although a conversion from any other IRA to a Roth IRA will be subject to taxation, you might want to discuss the tax implications of converting an IRA to a Roth IRA with your financial professional.

Understand how RMDs impact your retirement objectives

Because RMDs are forced distributions from an IRA (other than a Roth IRA), be sure to work with your financial professional to understand how the annual calculation of RMDs and the tax implications of such distributions will potentially impact your income strategy in retirement.

* QCDs from inherited IRAs are eligible if the beneficiary is over age 70½. If an employer has made a contribution to an active SEP or SIMPLE IRA for the year, then a QCD is not permitted from these accounts in that year.

Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, a 10% additional federal tax may apply.

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RMD terminology for eligible IRAs

First distribution year

As an owner of an IRA (other than a Roth IRA), this is the first year that you need to calculate an RMD for the year in which you turn age 73. The calculation is based on the December 31 balance of the prior year, divided by your IRS life expectancy factor. This calculation will determine how much you need to withdraw from your IRA for each distribution year.

Required beginning date

You must take your first RMD for the year in which you turn age 73. However, the first RMD payment can be delayed until April 1 of the year following the year in which you turned age 73. For all subsequent years, including the year in which you may have deferred the first RMD payment until April 1, you must take an RMD by December 31 of that year.

IRS Table III – Uniform Lifetime Table

IRS table used by owners to calculate their RMD (IRS Publication 590-B). The factor changes each year as you get older. The age used in determining your life expectancy is the age you are on December 31 of the distribution year.

IRS Table II – Joint Life Table

The IRS table for use by owners who have a spouse beneficiary who is more than 10 years younger (IRS Publication 590-B). Spouse beneficiary must be the sole beneficiary.

Correction window

The correction window is defined as beginning on the date the tax penalty is imposed and ends upon the earliest of the following dates:

- When the Notice of Deficiency is mailed to the taxpayer
- When the tax is assessed by the IRS; or
- The last day of the second tax year after the tax is imposed

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