

## AVOID THE 50% RMD PENALTY BY ASKING THESE 10 QUESTIONS BEFORE YEAR-END

- 1. Do I have an accurate inventory of all my retirement accounts?** – This may seem rather simple, but it's absolutely crucial to maintain a record of all your retirement accounts. And that may be easier said than done. According to a 2012 Department of Labor study, Baby Boomers born between 1957 and 1964 held, on average, a staggering 11.3 jobs between the ages of 18 and 46. So it's entirely possible you have more than one 401(k) or similar plan. Oftentimes, when people leave an old employer, they forget about their plan money, especially if it was only a small amount.
- 2. Do I know what type of retirement account each of my retirement accounts is?** – There are different RMD rules for different types of retirement accounts, like 401(k)s, 403(b)s and IRAs. If you don't know what type of retirement accounts you have, you could easily make a costly RMD mistake.
- 3. Am I using the right lifetime table to determine my RMD factor?** – There are actually three different tables that are used to determine RMDs. You will typically use the Uniform Lifetime Table to calculate RMDs for your own retirement accounts, but if you have named your spouse as your sole beneficiary and he or she is more than 10 years younger than you, you can use the Joint Life Table. For inherited retirement accounts, you should use the Single Life Table.
- 4. Did I use the December 31, 2013 fair market value of my account to determine RMDs?** – 2014 RMDs are generally calculated using the 2013 year-end balance. Sometimes, IRA investments have multiple values associated with them, which can be confusing. When it comes to RMDs, however, ignore everything except the fair market value. That's what your RMD will be based on.
- 5. Did I have any outstanding rollovers at the end of 2013 I need to account for?** – If you were in the process of moving retirement account money from one company to another at the end of last year, those funds may not show up on either your distributing or receiving accounts year-end statement. That doesn't mean you can ignore that amount for RMDs though. If this scenario happened to you, you must generally manually add that amount back to your 2013 year-end statement and recalculate your RMD. Chances are your custodian won't do it for you.
- 6. Did I complete a Roth IRA conversion in 2013 that I recharacterized this year?** – Roth IRAs don't have RMDs during their owner's lifetime, so if you converted money to a Roth IRA in 2013 and it was still in your IRA at the end of last year, it would not have been taken into consideration for RMD purposes. However, if you recharacterized (undid) that Roth IRA conversion this year, you have to pretend like your Roth IRA conversion never happened and adjust your 2013 year-end balance accordingly. Again, your custodian is unlikely to do this for you.
- 7. Have I taken a distribution from one or more of my IRAs to satisfy the RMD requirement for all my IRAs?** – After totaling up your calculated RMDs from each of your IRAs, you can take the total RMD you owe from any combination of IRA accounts you wish, including just one IRA if there is a big enough balance. Distributions from other types of retirement accounts cannot offset your IRA RMD requirement.
- 8. Have I taken a distribution from one or more of my 403(b)s to satisfy the RMD requirement for all my 403(b)s?** – After totaling up your calculated RMDs from each of your 403(b)s, you can take the total RMD you owe from any combination of 403(b) accounts you wish, including just one 403(b) if there is a big enough balance. Distributions from other types of retirement accounts cannot offset your 403(b) RMD requirement.
- 9. Have I taken a distribution from every one of my other retirement accounts for which I am subject to an RMD this year?** – Other than IRAs and 403(b)s, every retirement account you own requires its own distribution to satisfy its own RMD requirement. For instance, if you have two 401(k)s and one account has a \$500 RMD and the other a \$100 RMD, you must take at least \$500 from the first account and at least \$100 from the second account.
- 10. Am I the beneficiary of any retirement accounts?** – RMDs for any inherited retirement accounts cannot be comingled with the RMDs for your own retirement accounts. They must be taken separately. If you have inherited retirement accounts, you pretty much have to go through this entire list again for those accounts, and if you've inherited retirement accounts from more than one person, you may have to go through this list several more times.

## Questions?

To discuss retirement strategies, speak with an educated financial professional who is trained in this complicated planning area.