



What is a Missed Required Minimum Distribution?

Required Minimum Distributions, or RMDs, must be taken by IRA owners beginning in the year they turn 70 1/2 and by IRA and Roth beneficiaries beginning in the year after the death of the account owner. RMDs not taken are subject to a penalty of 50% of the amount not taken each year.

Please note that if you turn 70 1/2 this year, you can put off taking your first (and only your first) RMD until April 1st of the following year. Again, this only happens for the first - age 70 1/2 RMD. NOTE - if you defer your first RMD and wait until the following year to take it, you will likely end up having to take the following year's RMD also by the end of the year. So, you could end up needing to take two RMDs for the year. For many people, this may not make sense from a tax viewpoint.

Fix a Missed RMD - *In 5 Easy Steps*

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When should you look for a missed RMD?

You should look for a missed RMD every year after an account owner attains age 70 1/2 and when an IRA or Roth beneficiary inherits an IRA. Ask your advisor to double check any calculations to be sure they are correct:

1. Determine the prior year-end IRA balance for the year an RMD was not fully satisfied.

2. Determine the life expectancy factor for all missed years. IRA owners use their age each year and look up the corresponding factor on the Uniform Lifetime Table. IRA beneficiaries use their age only in the year after the account owner's death and look the corresponding factor on the Single Life Expectancy Table. In each subsequent year, a beneficiary will subtract one from the previous year's factor. (Remember: These are general rules for determining life expectancy factors. There are many exceptions these rules.)
3. Do some simple math. Divide the account balance by the life expectancy factor for each missed year's RMD and withdraw
4. Important forms to file: file IRS Form 5329 for each missed RMD to report missed distribution and penalty. The penalty can be waived for good cause. Attach a letter to the form requesting a waiver. It is helpful to include language in your explaining to the IRS why the distributions were missed, that the problem has been corrected and that procedures are in place to avoid future problems.
5. Take action so it will never happen again. Set up procedures to ensure you take future RMDs. Many custodians offer an option to distribute RMDs automatically each year. If you struggle remember to take your RMD, setting up an automatic distribution may be beneficial.

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Disclaimer: While the 5 steps noted above apply to many situations, they may not work in your unique situation, so please do consult with your Tax Advisor if you have any questions or need further assistance regarding this process.