

Understanding Required Minimum Distributions (RMDs)

Learning about Required Minimum Distribution rules can be complicated. While this brochure is intended to provide Required Minimum Distribution basics, you should consult with your tax advisor with respect to your specific situation.

What are Required Minimum Distributions (RMD)?

A required minimum distribution is the amount of money that the IRS requires you to withdraw each year from an employer-sponsored retirement plan, traditional individual retirement account (IRA), SEP, or SIMPLE IRA. Note that RMDs from Roth amounts held in an employer-sponsored plan (like a 401(k) plan) will not be required for tax years beginning in 2024 and later.

When do you need to start taking RMDs?

RMDs are generally required before each December 31, beginning in the year you reach your RMD beginning date. Your RMD beginning date is as follows:

Birth Date	Age at Which RMDs Begin
On or prior to 6/30/1949	70.5
07/01/1949 - 12/31/1950	72
1/1/1951 - 12/31/1959	73
On and after 1/1/1960	75

As an exception, participants in an employer-sponsored plan can delay taking their RMDs until the year that they retire (if later than the age specified above), unless they are a 5% owner of the business sponsoring the plan, in which case the exception to delay until retirement does not apply.

Regardless of whether a type of IRA or an employer-sponsored plan, you may delay taking your first RMD until the following calendar year (up until April 1), and if you do, you will need to take your first and second RMD in the same year.

How are RMDs calculated?

Required minimum distributions are calculated by dividing your entire retirement account's prior year-end value by the applicable IRS life-expectancy factor. However, beginning with tax years after December 31, 2023, Roth account balances



What You Need to Know

- A required minimum distribution is the amount of money that must be withdrawn from your tax-advantaged retirement savings accounts.
- The age you need to begin taking RMDs generally depends on the year that you were born.
- There could be a 25% tax penalty for missing an RMD deadline.
- You are required to pay taxes on RMDs in the year they are distributed.

will be excluded from the calculation. This means that more of your money can stay in the Plan, giving it more time to grow. If you delay taking your first RMD until after the calendar year in which you satisfy the requirements above (up until April 1), you will need to use the account balance as of the second preceding December 31. For example, if you take your 2024 RMD in early 2025, you will use your 2023 account balance. ADP has an online calculator to help you determine your annual RMD, [click here](#).

Traditional IRAs

If you own multiple IRAs, you need to calculate the RMD for each account. However, you can take the total RMD from one or any combination of IRAs. For instance, if you have an IRA that's smaller than your total RMD, you can empty the small IRA and take the remainder of the RMD from a larger IRA.¹

401(k)s

If you have one or more 401(k) accounts, they are subject to RMDs. Unlike IRAs, you must calculate and take the RMD for each 401(k) separately.¹

The IRS places responsibility for RMDs on the individual. However, in many cases, your account's custodian or recordkeeper will calculate your RMD amount, initiate the RMD and report it to the IRS for you. Typically, you can take your annual RMD in a lump sum or in periodic payments over the course of a year.

What if you miss your RMD deadline?

If you don't take your RMD by the deadline, the IRS penalty is 25% of the RMD amount, although it may be reduced to 10% if corrected within a two-year window. For example, if your RMD for the year is \$15,000 and you only take \$11,000, you could owe a \$1,000 penalty plus income tax on the shortfall.

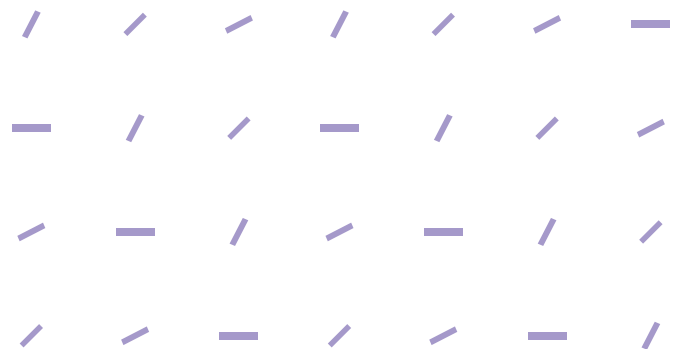
Are RMD distributions taxed?

You are required to pay taxes on RMDs in the year they are distributed, to the extent the amounts distributed are taxable.

Can you avoid RMDs?

There are cases in which you may limit or eliminate the need to take RMDs. Roth IRAs do not have RMD requirements. If you are allowed to take a distribution from your employer-sponsored plan, you can roll it over to a Roth IRA. Additionally, for tax years 2024 and later, RMDs are not required to be taken from your Roth account in your employer-sponsored plan ((which means you still need to take your 2023 RMD.) And if your plan permits, you can convert your non-Roth money to a Roth account in your employer-sponsored plan. You should consult your tax advisor to discuss your options.

RMDs are complicated and important to understand. We don't provide legal or tax advice. If you have questions about RMDs, please speak to your financial advisor or accountant.



¹ Required Minimum Distributions. Kiplinger. <https://www.kiplinger.com/retirement/retirement-plans/required-minimumdistributions-rmds>

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