

Required Minimum Distributions

Frequently Asked Questions

When retirement plan account owners reach retirement age—typically at age 70½—they are responsible for taking a required minimum distribution (RMD) from their account. This process can be complicated depending on the account and assets involved. Following are some of the most common questions that we receive about RMDs.

What are Required Minimum Distributions (RMDs)?

Required Minimum Distributions (RMDs) generally are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 70½ years of age or, if later, the year in which he or she retires. However, if the retirement plan account is an IRA or the account owner is a 5% owner of the business sponsoring the retirement plan, the RMDs must begin once the account holder is age 70½, regardless of whether he or she is retired.

Retirement plan participants and IRA owners, including owners of SEP IRAs and SIMPLE IRAs, are responsible for taking the correct amount of RMDs on time every year from their accounts, and they face stiff penalties for failure to take RMDs.

When a retirement plan account owner or IRA owner dies before RMDs have begun, different RMD rules apply to the beneficiary of the account or IRA. Generally, the entire amount of the owner's benefit must be distributed to the beneficiary who is an individual either (1) within 5 years of the owner's death, or (2) over the life of the beneficiary starting no later than one year following the owner's death. See IRS [Publication 590-B, Distributions from Individual Retirement Arrangements \(IRAs\)](#), for complete details on when beneficiaries must start receiving RMDs.

What types of retirement plans require RMDs?

The RMD rules apply to traditional IRAs and IRA-based plans such as SEPs, SARSEPs, and SIMPLE IRAs. The RMD rules also apply to all employer sponsored retirement plans, including profit-sharing plans, 401(k) plans, 403(b) plans, and 457(b) plans. The RMD rules also apply to Roth 401(k) accounts. However, the RMD rules do not apply to Roth IRAs while the owner is alive.

When must I take my RMD from my IRA?

You must take your first required minimum distribution for the year in which you turn age 70½. However, the first payment can be delayed until April 1 of the year following the year in which you turn 70½. For all subsequent years, including the year in which you were paid the first RMD by April 1, you must take the RMD by December 31 of the year.

Can an account owner just take a RMD from one account instead of separately from each account?

An IRA owner must calculate the RMD separately for each IRA that he or she owns, but can withdraw the total amount from one or more of the IRAs. Similarly, a 403(b) contract owner must calculate the RMD separately for each 403(b) contract that he or she owns, but can take the total amount from one or more of the 403(b) contracts.

However, RMDs required from other types of retirement plans, such as 401(k) and 457(b) plans have to be taken separately from each of those plan accounts.

How is the amount of the RMD calculated?

Generally, a RMD is calculated for each account by dividing the prior December 31 balance of that IRA or retirement plan account by a life expectancy factor that IRS publishes in Tables in [Publication 590-B, Distributions from Individual Retirement Arrangements \(IRAs\)](#). Choose the life expectancy table to use based on your situation.

Joint and Last Survivor Table - use this if the sole beneficiary of the account is your spouse and your spouse is more than 10 years younger than you

Uniform Lifetime Table - use this if your spouse is not your sole beneficiary or your spouse is not more than 10 years younger

Single Life Expectancy Table - use this if you are a beneficiary of an account (an inherited IRA)

Does Millennium automatically calculate the amount of the RMD?

No. It is the IRA or retirement plan account owner responsibility for calculating the amount of the RMD. Millennium can calculate the RMD for a \$75 fee.

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What happens if a person does not take a RMD by the required deadline?

If an account owner fails to withdraw a RMD, fails to withdraw the full amount of the RMD, or fails to withdraw the RMD by the applicable deadline, the amount not withdrawn is taxed at 50%. The account owner should file Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, with his or her federal tax return for the year in which the full amount of the RMD was not taken.

How do I request an RMD from my Millennium Trust account?

To request your RMD, you need to complete our [Required Minimum Distribution form](#). Please request the RMD at least 30 days prior to your required distribution date of December 31 or April 1, if you have cash in your account. If you need to liquidate your investments, please review the liquidation terms of your investment(s) and submit the RMD form to Millennium Trust early enough to allow adequate time for processing any liquidation requests. Please note that RMD forms submitted later than 30 days prior to your required minimum distribution date may incur additional fees and such requests are processed on a best efforts basis only.

Can RMD amounts be rolled over into another tax-deferred account?

No. Please refer to [Publication 590-B](#), Distributions from Individual Retirement Arrangements (IRAs), for additional information.

How are RMDs handled after the account owner has died?

For the year of the account owner's death, use the RMD the account owner would have received. For the year following the owner's death, the RMD will depend on the identity of the designated beneficiary.

See IRS Publication 590-B, Distribution from Individual Retirement Arrangements (IRAs), for details on calculating required distributions for beneficiaries.

How are RMDs handled when illiquid assets are involved?

Satisfying your RMD is pretty straightforward when your account holds cash or easily liquidated assets such as stocks. If your IRA's value is primarily in alternative assets, such as real estate or promissory notes, you might be faced with a new challenge as those assets are illiquid. Other alternative assets such as hedge funds and private equity might allow redemptions, but may take up to a year to liquidate if at all. It is always best to speak to your investment sponsor, or review the redemption policy in the offering documents to ensure you have enough time to liquidate. Remember, if you hold more than one IRA, you will receive an RMD notice from each custodian but you do not have to withdraw funds from each account. For example, if you have two IRAs, one with illiquid alternative assets and one with cash and/or traditional assets, you can take the combined RMD from one account.

You still need to meet your RMD requirements – even if you do not have enough or any cash left in your IRA, but your account holds assets with value. If you find yourself in this position, reaching out to a qualified tax advisor can be in your best interest to review your options, especially if you are strongly considering doing nothing and dealing with the penalties at a later date. This is one of the reasons addressing your RMD as early in the year as possible can be to your advantage.

When your account holds an asset such as real estate, your options may center on either:

- Selling the asset and taking the RMD from the cash proceeds of the sale
- Taking the asset or a portion of the asset as the taxable distribution and holding the asset personally going forward

Millennium Trust performs the duties of a directed custodian and, as such, does not provide investment advice or sell investments, nor offer any tax or legal advice. A qualified representative of your choosing can review the aspects of each option to help you make the best decision possible. If you find you will distribute a portion of the asset personally, there is a process you need to follow to make sure the asset's value is up to date and you have the asset re-titled to reflect the change of ownership. You also need to contact your IRA Custodian to determine which internal forms are needed to facilitate the distribution, revaluation, or sale of the asset – depending on the direction you take to address the situation.

For more information, visit us at mtrustcompany.com or call us at 866.388.9419

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