

WHAT TO KNOW ABOUT 401K REQUIRED MINIMUM DISTRIBUTIONS (RMD)

WHAT IS A 401K REQUIRED MINIMUM DISTRIBUTION (RMD)?

An RMD is an IRS-mandated amount of money that you have to withdraw from your employer-sponsored retirement account each year. It is important to understand the RMD rules and how to avoid costly penalties.



**AGE
REQUIREMENT**

72

DEADLINES:

April 1 - Deadline for the first RMD in the year after you turn 72. Unless you are an owner, you do not have to take an RMD from your workplace plan until you terminate or retire.

December 31 - Deadline for each following RMD.

Note: If you delay your first RMD until April, you'll have to take 2 RMDs your first year. The first will still have to be taken by April 1; the second, by December 31.

AMOUNTS:

An RMD is calculated for each account by dividing the prior December 31 balance of that retirement plan account by a life expectancy factor that the IRS publishes.

More information on those calculations can be found [here](#).

TAXES:

The IRS taxes RMD's as ordinary income which means withdrawals will count toward your total taxable income for the year and taxes at your applicable individual federal income tax rate. They may also be subject to state and local taxes.

*This income may push you into a higher tax bracket and could impact the taxes you pay for your Social Security or Medicare.



PENALTIES

The IRS penalty may be severe - 50% of the amount not taken on time. **But don't worry, LeTort tracks and manages when and what amounts need to be taken.**

*If you have a retirement plan elsewhere be sure to check with them.

Please don't hesitate to reach out to us with any questions.

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