

Verifying RMDs - Year End Tax Planning

With the end of the year approaching, it is important to be certain that all required minimum distributions (RMDs) have been taken from retirement accounts. As a result of the SECURE 2.0 Act of 2023, many of the rules surrounding RMDs have changed, so it's important to be aware of the current distribution requirements.

Prior to the SECURE 2.0 Act, RMDs started at age 72. If you turned 72 in 2022 or earlier, you were still required to start taking RMDs at age 72. Currently, it is not required to start taking RMDs until 73 if you reached that age in 2023 or 2024. Beginning in 2033, the RMD age will increase to 75. There are a few exceptions to the RMD rules, including for those who are still working well into their 70's. Under the "still working" exception, an individual may be able to delay RMDs from a current employer's 401(k) until retirement. Another exception is for Roth IRAs, which don't require RMDs for the original owner during their lifetime.

For first time RMDs, the first distribution can be taken by April 1 of the year following the year turning 73. For subsequent years, RMDs must be taken by Dec. 31. Several types of retirement accounts are subject to RMDs, including Traditional IRAs, SEP IRAs, SIMPLE IRAs, 401(k) plans, and 403(b) plans.

Inherited IRAs involve calculations based on the beneficiaries's age and mortality estimates. Inherited IRAs for surviving spouses are calculated differently and have different distribution requirements than Non-Spousal Inherited IRAs.

Sources: IRS, Tax Policy Center

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