



Required Minimum Distributions (RMDs) – What You Need to Know

Once you reach a certain age, the IRS requires you to start withdrawing money from most tax-deferred retirement accounts. Missing an RMD can trigger a steep penalty, so understanding the rules matters.

What Are RMDs?

- Required withdrawals from traditional IRAs, 401(k)s, 403(b)s, and similar tax-deferred accounts
- Roth IRAs do not require RMDs during the original owner's lifetime
- The amount is based on your account balance and IRS life-expectancy tables
- You can always withdraw more than the minimum

When Do They Start?

- Age 73 for people born 1951–1959
- Age 75 for people born 1960 or later (SECURE 2.0)
- First RMD can be delayed until April 1 of the year after you reach the required age
- After the first year, RMDs are due by December 31 each year
- Still working? Some workplace plans allow delay until retirement

THE PENALTY FOR MISSING AN RMD

If you fail to take your full RMD, the IRS can assess a penalty of 25% of the amount not withdrawn (reduced to 10% if corrected in a timely manner). This is one of the steepest penalties in the tax code — planning ahead is essential.

Practical Tips

- Your custodian usually calculates the RMD, but you are responsible for taking it.
- You can take the RMD in a lump sum or in installments throughout the year.
- Qualified Charitable Distributions (QCDs) from an IRA (age 70½+) can satisfy all or part of an RMD and are excluded from taxable income.
- Roth conversions before RMD age can reduce future required withdrawals, but create taxable income in the conversion year.
- Coordinate RMDs with Social Security, pensions, and tax brackets to manage overall taxable income.

HOW HUGS CAN HELP

RMDs interact with Social Security, Medicare IRMAA, and overall tax planning. We can help you see how required withdrawals fit into your bigger retirement picture. At HUGS we have no greater joy than to hear that our clients are walking with confidence.