

# UNDERSTANDING YOUR REQUIRED MINIMUM DISTRIBUTION



What it is, when to take it, and what to do with it.

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# MAKE YOUR RMDs STRESS-FREE

Once you reach age 70½, the IRS requires you to take money out of your retirement accounts. These mandatory withdrawals are called required minimum distributions (RMDs). This guide can help you calculate, plan, and manage your RMDs so you can fulfill the IRS requirements without worry and have the money you need in retirement.



## Know when to take your RMD.

Understand RMD timing and learn how to calculate accurately. [Page 2.](#)



## Don't risk a 50% penalty.

If your withdrawal for any given year is less than your RMD, the IRS may impose a 50% penalty on the shortfall. [Page 5.](#)



## Understand the taxes.

Your RMD is taxed as ordinary income at your personal federal income tax rate. State taxes may also apply. [Page 6.](#)



## Put your RMD to work.

If you're not using your RMD to live on, you can reinvest it and keep it working for you. [Page 8.](#)

## We're here to help.

Schwab can help you calculate, plan, and manage your RMDs and help you keep your retirement investments working for you even after your required distributions begin.

### You must take an RMD for:

#### Individual Retirement Accounts (IRAs)

- Traditional
- Rollover
- Inherited
- Simplified Employee Pension (SEP)
- Savings Incentive Match Plan for Employees (SIMPLE)

#### Qualified Retirement Plans<sup>1</sup> (QRPs)

- Schwab's QRP/Keogh
- Individual 401(k)
- 403(b)(7)

You do not need to take RMDs for Roth IRAs unless you have inherited one. Roth 401(k) accounts are also subject to RMD rules.



▶ Get help with your RMD. Call 1-800-435-4000, go to [schwab.com/rmd](https://www.schwab.com/rmd), or visit your nearest Schwab branch.

<sup>1</sup>A Qualified Retirement Plan is an employer-sponsored plan that meets the requirements established by the Internal Revenue Service (IRS) and the U.S. Congress. Pensions, profit-sharing plans, money purchase plans, cash balance plans, 457(b) plans, and 401(k)s are all examples of qualified plans, though each type works a little differently.

# THREE STEPS TO TAKING YOUR RMD

## Step 1: Understand the timing.

Your first RMD must be taken no later than **April 1** of the year following the calendar year in which you turn age 70½. Subsequent RMDs must be taken by **December 31** of each year.

If you wait until April 1 of the year after you turn age 70½ to take your first RMD, you will have to take two distributions in the same year: one for the year you turn age 70½ and one for the current year. This could have additional tax implications.

### Example:

If you:	You must:
Turn age 70½ this year	Take your first RMD by April 1 of next year. <sup>2</sup>
Turned age 70½ last year	Ensure you take your first RMD by April this year. And, take this year's RMD before December 31.
Turned age 70½ in a previous year	Continue taking your RMD before December 31 each year.

## Step 2: Calculate your distribution.

To determine your IRA RMD, start by listing the fair market value<sup>3</sup> of your IRAs as of December 31 of the previous year. You'll need to calculate your RMD separately for each IRA you own, but you can take your total RMD from a single IRA or a combination of IRAs.

RMDs aren't required for Roth IRAs, so you don't have to include them in your calculations.

We can calculate your IRA RMD for you, or you can use our easy RMD Calculator at [schwab.com/rmdcalculator](https://www.schwab.com/rmdcalculator).

Two factors in your calculation are your age and life expectancy. Your RMD is typically calculated based on your life expectancy per the uniform IRS method. However, if your spouse is more than 10 years younger than you and is your sole beneficiary, you can use the joint life expectancy method, which could lower your RMD. Visit [irs.gov](https://www.irs.gov) to learn more about the IRS life expectancy methods.

<sup>2</sup>If you are age 70 or older, are still working, and don't own more than 5% of the company you're working for, you can potentially delay your RMD from a QRP/Keogh until you retire.

<sup>3</sup>Fair market value and RMD calculations may need to be adjusted to include any transfers or rollovers to your Schwab retirement account(s), a conversion from a traditional IRA to a Roth IRA and back, or any correction for security price after year-end.



**Tip:** If you have qualified plan accounts, such as a Keogh or Individual 401(k) or an Inherited IRA, you must calculate and satisfy your RMDs for these separately from your other IRAs. Call [1-800-435-4000](tel:1-800-435-4000) to learn more.

### Step 3: Choose how to get your distribution.

At Schwab, you have several ways to get your distribution. You can:

- Receive your IRA distribution online.<sup>4</sup>
- Set up recurring RMDs through Schwab MoneyLink®<sup>5</sup>. Your annual RMD will be automatically calculated and then transferred to the account you designate.
- Transfer investments in kind; such as move stocks, mutual funds, or cash from your IRA into your nonretirement Schwab account.
- Request a check.

#### You have two ways to request your distribution.

1. To request your IRA distribution online:
  - Go to [schwab.com/movemoney](https://schwab.com/movemoney).
  - Log in to your IRA account.
  - Click on Online Transfers or Check Request, and follow the instructions.
2. To request your IRA or qualified plan distribution by mail:
  - Call Schwab at [1-800-435-4000](tel:1-800-435-4000), and we'll send you a Schwab RMD Request Form.



<sup>4</sup>Online distributions and MoneyLink are not available for QRPs, Keoghs, or Individual 401(k) accounts.

<sup>5</sup>Schwab MoneyLink requires enrollment. Visit [Schwab.com](https://Schwab.com) or call [1-800-435-4000](tel:1-800-435-4000).

## UNDERSTAND THE IRS REQUIREMENTS







The RMD amount required by the IRS is based on the value of your accounts at the end of the previous year. You must pay income taxes on your RMD withdrawals. You're free to withdraw more than the RMD amount, but you must pay taxes on that too.

**You may be liable for a 50% penalty on insufficient or late RMD withdrawals.** Follow the IRS guidelines and consult your tax advisor. Because there's no RMD for Roth IRAs, you can't satisfy your RMD with a withdrawal from a Roth IRA.

You'll need to calculate your RMD for each IRA, but you can take your RMD from a single IRA or a combination of IRAs. **RMDs from QRP/Keoghs, Individual 401(k) accounts, or Inherited IRAs must be calculated separately for each account and must be taken from their respective accounts.**

Use our easy RMD Calculator at [schwab.com/rmdcalculator](https://schwab.com/rmdcalculator).



**Tip:** Inherited IRAs are also subject to RMDs, regardless of your age. See our Inherited IRA guide at [schwab.com/inheritedira](https://schwab.com/inheritedira).

## UNDERSTAND THE TAX IMPLICATIONS



The total amount of your RMD is taxed as ordinary income at your personal federal income tax rate. State taxes may also apply. If you've made a nondeductible IRA contribution, this will not be taxed. However, your earnings will be taxed provided you filed an IRS Form 8606.<sup>6</sup>

For any account with an RMD, any distribution from that account during the year will count toward that year's RMD. You may take more than your RMD in any given year. However, amounts withdrawn in excess of your annual RMD won't satisfy your RMD requirements in future years. That's because the IRS requires each year's RMD to be calculated using the previous year's fair market value.





**Tip:** RMD tax rules apply to traditional, rollover, SIMPLE, SEP, and Inherited IRAs.



## Remember, you must pay tax on your RMD.

When you take your RMD, you can have state or federal taxes withheld immediately, or you may be able to wait until you file your taxes. Unless you give us different instructions, the IRS requires us to automatically withhold 10%<sup>7</sup> of any RMD for federal income taxes. State tax withholding may also apply.

Each year, withdrawals and any tax withholding from your Schwab tax-advantaged retirement accounts will be reported on Form 1099-R to both you and the IRS. We're also required to notify the IRS that you must take an RMD for the year.

▶ Get help with your RMD. Call 1-800-435-4000, go to [schwab.com/rmd](https://www.schwab.com/rmd), or visit your nearest Schwab branch.

<sup>7</sup>For QRPs/Keoghs or Individual 401(k) plans, if the amount you withdraw exceeds what you must take for the year, we're required to withhold 20% of the overage for federal income tax. State tax may also apply. To avoid the 20% withholding, consider rolling over amounts greater than your RMD to an IRA or another employer plan.

This information is not intended to be a substitute for specific individualized tax or legal advice. Where specific advice is necessary or appropriate, Schwab recommends consulting with a qualified tax advisor.

## PUT YOUR RMD TO WORK FOR YOU

After taking your RMD, you'll need to decide whether you want to use the money to live on, reinvest it so it has the potential to grow, or take a blended approach. Consider these options:

### Use your RMD for living expenses.

Your distribution can be deposited directly into your Schwab account, deposited to your bank via an electronic funds transfer, or sent to you by check.



## Reinvest your RMD.

A Schwab One® brokerage account allows you to invest in everything from stocks and bonds to mutual funds, ETFs, and more. With a Schwab One account, you can access your money by check, credit card, or phone 24/7.

## Rebalance your portfolio.

If your portfolio has shifted from your target asset allocation over the course of the year, you can use your RMD as a rebalancing tool. Consider taking your RMD from an overweighted asset class and investing the proceeds in a taxable account in an asset class in which you are underweighted.

## Contribute to a college savings plan.

Consider funding 529 college savings accounts for your children, grandchildren, or other beneficiaries. These gifts can help reduce the size of your estate. Some state-sponsored 529 plans offer special income tax advantages to state residents.

## Convert to a Roth IRA.

If you don't need the assets for retirement and you don't plan on making any withdrawals for at least five years, you might consider converting to a Roth IRA. You'll need to take your scheduled RMD for the year and pay any taxes on the conversion, but ongoing RMDs will not be required. Learn more at [schwab.com/roth](https://www.schwab.com/roth).

## SIMPLIFY YOUR RMD



If you have IRAs at other financial institutions, consider bringing them together at Schwab. When you consolidate your IRAs into one account, you can:

- Calculate just one RMD and manage it from one account.
- Set up automatic withdrawals to control your RMD timing and frequency.
- Get ideas on how to generate retirement income to last your lifetime.

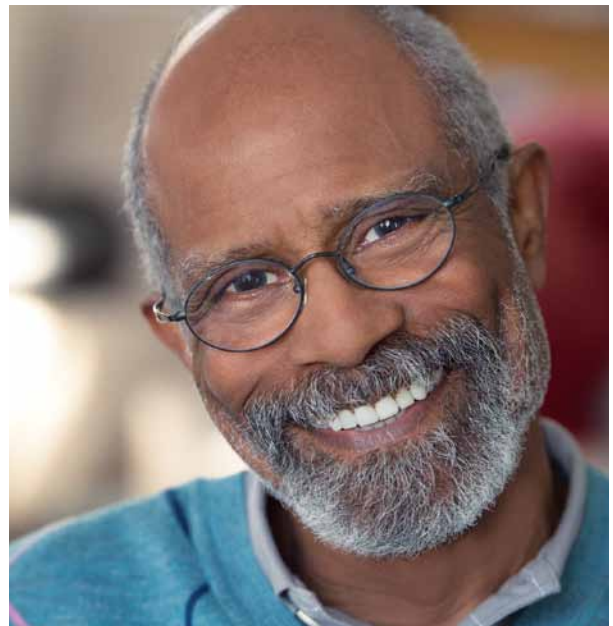
Schwab makes it simple to manage your RMD with an annual reminder letter, regular message alerts, and annual IRA RMD amount tracking on Schwab.com.<sup>8</sup>



**Tip:** Remember to designate your IRA beneficiaries with care because they may ultimately inherit the assets in your IRA account.

#### **RMD checklist.**

- 1.** Incorporate your RMDs into your overall retirement income plan. Call us to create a plan or to assess your overall situation.
- 2.** Consider consolidating your retirement assets. See the big picture and make it easier to transfer assets.
- 3.** Determine your deadline for taking your RMD. Make sure you meet your deadline to avoid IRS penalties.
- 4.** Calculate your IRA RMD at [schwab.com/rmd](https://www.schwab.com/rmd), or call us at **1-800-435-4000** to calculate it for you.
- 5.** Schedule your IRA RMD online. Set up recurring distributions so you don't have to worry about it.
- 6.** Manage your distribution options. Know if you plan to reinvest or spend your RMDs.



# RMD RESOURCES

## Help when you want it.

When you're ready to take action, let us know. We'll help you manage your RMDs throughout your retirement. Call [1-800-435-4000](tel:1-800-435-4000).

### To help you plan:

RMD information and FAQs:

[schwab.com/rmd](https://schwab.com/rmd)

Calculate your RMD:

[schwab.com/rmdcalculator](https://schwab.com/rmdcalculator)

Steps for creating your retirement check:

[schwab.com/createyourpaycheck](https://schwab.com/createyourpaycheck)

### To help you assess where you are:

Get a no-cost, no-obligation retirement consultation:

[1-800-548-5709](tel:1-800-548-5709)

### To invest for income:

Fixed Income Specialists:

[1-800-626-4600](tel:1-800-626-4600)

Annuity Specialists:

[schwab.com/annuities](https://schwab.com/annuities) or [1-888-311-4889](tel:1-888-311-4889)



## Take the Next Step

Call **1-800-548-5709** to schedule an appointment with a Schwab investment professional, or visit your nearest Schwab branch.



This tax information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Where specific advice is necessary or appropriate, Schwab recommends that you consult with a qualified tax advisor, CPA, financial planner, or investment manager.