



CHURCH BENEFITS BOARD

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Making Sense of Required Minimum Distribution (RMD)

It's that time of year again—If you're approaching retirement, or age 70½, you'll need to make serious decisions about your retirement accounts such as when to begin taking withdrawals (known as distributions), how to receive the money, and how to calculate the taxes you might owe*. Fortunately, the rules governing Required Minimum Distributions (RMD) have been simplified in recent years. Still, you should exercise caution to ensure that you're following the rules correctly. Making mistakes could cost you.

The basics: Many people begin withdrawing funds from their IRA and 403(b) soon after they retire. Before age 70½, when and how much you withdraw is your decision. After that age, failure to withdraw the so-called RMD amount each year may result in substantial tax penalties to the tune of 50% of the amount that you failed to withdraw. For example, if your RMD was \$15,000 and you only withdrew \$10,000, your penalty will be half of the \$5,000 that you didn't withdraw.

You must begin taking RMDs no later than April 1 of the year after you turn 70½. However, RMDs from a 403(b) can be delayed until retirement if you continue to be employee beyond age 70½ and you do not own more than 5% of the company for which you work.

What if you have multiple accounts? Your RMD for a particular tax year is based on the total of each type of retirement account. One way to simplify the RMD process, as well as gain better control of your various retirement accounts, is to consolidate them into one retirement account. By doing so, your retirement assets will be in one place and you may better ensure that the management of those assets is consistent with your needs and goals.

Next steps: A good starting point for understanding the RMD rules is to familiarize yourself with IRS Publication 590. It's available for free at the [IRS website](#) or at your local IRS office. If you have questions, please contact the CBB office at 1-800-352-8741 or 770-220-1600 to help you determine your RMD amount as well as develop an investment strategy that makes sense for you.

*Withdrawals will normally be taxed as ordinary income tax rates (housing allowance is an exception). Withdrawals before age 59½ may trigger a 10 percent penalty tax.