



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

The Case For and Against Having Clients Take Their RMD Early in the Year

So your client is over 70½ and is subject to required minimum distributions (RMDs). You know they need to take that distribution in a timely manner, but that leaves a fairly wide window. Should you encourage them to take their RMD early in the year? Later in the year?

There's really no right or wrong answer, but rather, depending on your client's specific circumstances, either could make sense. Here are a few factors to consider when making this decision.

Reasons to Consider Having Your Client Take Their RMD Early in the Year

Clients don't have to worry about the 50% penalty – RMDs must generally be taken by the end of the year for which they are required in order to be considered timely. For example, an RMD for 2015 must generally be taken by December 31, 2015 (there is an exception to this rule for the first year a client is required to take an RMD). Although the IRS can provide relief in certain circumstances, if

a client misses the deadline, they leave themselves subject to a 50% penalty. It is assessed on the amount that they were supposed to take, but did not.

It's not uncommon for clients to hold off on taking their RMD until later in the year, only to forget, become ill or otherwise preoccupied.

Although December 31st may seem like a long way off, it might be worth encouraging clients to take their RMDs now to avoid any potential for error. It's not uncommon for clients to hold off on taking their RMD until later in the year, only to forget, become ill or otherwise preoccupied,

leading to the deadline being missed. Clients have a lot of things to worry about in retirement, but if they take their RMD early in the year, a 50% penalty doesn't have to be one of them.

Don't leave clients' beneficiaries with a tight window – If your client is subject to RMDs this year and they pass away before taking that required minimum distribution, their beneficiaries are required to take what would have been the RMD. In order to avoid a potential penalty, they should take that distribution before the end of the year. The longer

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Woo Hoo! All 2010 Conversions are now Tax and Penalty Free!

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- Clients Under 59½ Can Still Take Penalty-Free Distributions of 2010 Roth IRA Conversions

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Caution: The New One-Rollover-Per-Year Restrictions are Now in Effect

- Rules Changed in 2014
- Transition Rule for 2015 Distributions
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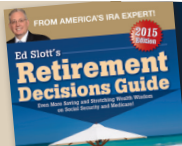
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125 Ways to Save and Stretch Your Wealth



Ed Slott's
2015

Retirement Decisions Guide

Available at IRAHelp.com

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