



# ED SLOTT'S IRA ADVISOR

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## TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

### Still-Working Exception and RMDs

What happens to required minimum distributions (RMDs) when an individual continues to work beyond the year they turn 70½? What are the rules for RMDs? Most importantly, when do they have to take their first RMD? Here is a look at what can happen.

#### Still Working Beyond Age 70½

When an individual continues to work into the year they turn 70½, they may be able to defer RMDs from the employer plan of the company where they are working. If the employer plan includes a “still-working” exception to the RMD rules, then an employee who is still working has no RMDs from that plan until they separate from service. This provision in an employer plan is optional; an employer plan does not have to offer it. The provision only applies to employer plans; it never applies to IRAs, including SEP and SIMPLE IRAs.

**Example:** Gary and Mary are twins and they are both still working. Gary works at the local college and Mary works

at the local hospital. They will be 70½ this year and both will have to start taking RMDs from their IRA accounts. Here, the similarities between Gary and Mary end. Gary’s employer has a still-working exception in their employer plan but Mary’s employer plan has no such exception. Gary will continue working at the college and will not have to start taking RMDs from his employer plan. Mary will continue working at the hospital, but she will have to start taking RMDs from her employer plan.

**There is no requirement that an individual works 40 hours a week for the exception to apply.**

What constitutes still working? There is no official position from IRS on this. Presumably, an individual could work one hour a year and still be considered “employed” for this exception to the RMD rules

to work. While that situation is highly unlikely, there is no requirement that an individual works 40 hours a week for the exception to apply.

The still-working exception also does not apply to an individual who owns more than 5% of the company

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