ED SLOTT'S
IRA ADVISOR
20th ANNIVERSARY
December 2018
Tax & Estate Planning For Your Retirement Savings

WHAT'S INSIDE?

Happy Holidays

Join the Retirement Planning Conversation

A Tale of Two Couples and Their RMDs

Before we begin our "tale of two couples," here's some background on taking required minimum distributions (RMDs).

Taking an RMD can be challenging and confusing for clients and their advisors. A failure to calculate the distribution correctly can have opposite outcomes – *neither results in a happy client:*

1. The client takes too much which depletes the account balance early and results in more income tax; or
2. The client takes too little, resulting in a 50% penalty on the shortfall (which still must be withdrawn from the account) and is taxable.

The RMD calculation depends on several factors: the age of the IRA owner, the age of the owner's spouse, the life expectancy table used, and the prior year-end account balance.

Which Age, When?

The first item – *the age of the IRA owner and their spouse, if they have one* – would seem to be relatively easy. However, we frequently get questions on this.

Is it the age of the IRA owner at the time of the distribution; is it their age on their birthday; or is it their age at the end of the year? Actually, the last two items in that list are essentially the same. The age a client turns on their birthday will be the same age they are at the end of the year. This is the age that will be used for RMD purposes. *Will the age of a spouse impact an RMD calculation?* Only if the spouse is more than 10 years younger.

Which Life Expectancy Table?

The majority of IRA owners will use the Uniform Lifetime Table. (To view or download 2018 IRA and Tax Tables, visit irahelp.com/2018.) They will look up their age as of the end of the year on this table to get their life expectancy factor. The Uniform Lifetime Table is actually a joint life table. It takes the age of the IRA owner and pairs it with an assumed age of a beneficiary 10 years younger than the IRA owner. Thus, the actual age of the spouse or a beneficiary (if less than 10 years younger than the IRA owner) has no impact on their life expectancy factor.

Only when the spouse is more than 10 years younger than the IRA owner, and when the spouse is the sole beneficiary of the IRA for the entire year, will the age of the spouse also be used to determine the life expectancy factor for the year. The IRA owner will now use the Joint Life Expectancy Table instead of the Uniform Lifetime Table.