



# ED SLOTT'S IRA ADVISOR

May 2022

Tax & Estate Planning for Your Retirement Savings

## WHAT'S INSIDE?

### Why the Required Beginning Date Is More Important than Ever

- What Is the RBD?
- The RBD and Annual RMDs During the 10-Year Period
- Other Reasons Why the RBD Is Now Important
- Conclusion

<Pages 1-4>

### Executive Summary

<Page 2>

### The Often-Misunderstood "Rule of 55"

- Using the Rule of 55
- Avoiding Timing Mistakes
- Determining Eligible Accounts
- The Takeaway

<Pages 4-5>

### 10% Penalty Exceptions Chart

<Page 8>

### GUEST IRA EXPERT: Christian Cordoba, CFP®, RFC®, CFS® California Retirement Advisors El Segundo, CA

### Rethinking Costs Can Reveal Retirement Advisors' Value

<Pages 5-7>

Join the Retirement  
Planning Conversation



## Why the Required Beginning Date Is More Important than Ever

When the SECURE Act became effective in 2020, the question of whether a retirement account owner died before or after the required beginning date (RBD) did not seem as important as it previously was. But that changed with [the new SECURE Act regulations published by the IRS on February 23](#). Now, it is essential to understand what the RBD is and how it is again a central concept for determining post-death required minimum distributions (RMDs).

### What Is the RBD?

The RBD is simply the first date by which RMDs from IRAs and plans must begin. Prior to the SECURE Act, the RBD for traditional IRA owners was April 1 of the year following the year the owner turned age 70½. The SECURE Act extended the RBD for traditional IRA owners born on or after July 1, 1949, to April 1 of the year after the year the owner turns age 72.

One of the advantages of Roth IRAs is that the owner has no RMDs. For this reason, a Roth IRA owner is always considered to have died before his RBD — *regardless of how old the owner was at death*.

The rules are more complicated for 401(k)s and other company plans. Under the "still-working exception," most plans (but not SEP or SIMPLE

IRAs) allow participants who continue working beyond their age-72 year to delay their RBD until April 1 of the year following the year after retirement. However, this delay is not available for someone who owns more than 5% of the company sponsoring the plan. The regulations make clear that whether someone owns more than 5% of the company is determined in the plan year ending in the calendar year that the employee turns age 72 (or age 70½ for those born before July 1, 1949).

**Example 1:** Ted, born August 1, 1949, is an employee of Best Used Cars. Best sponsors a 401(k) plan operating on a calendar-year plan year, and it allows the still-working exception. Ted turned age 72 on August 1, 2021. During the 2021 plan year (January 1 – December 31, 2021), Ted owned exactly 5% of Best. Ted can use the still-working exception. It does not matter that after 2021, Ted's ownership increased to more than 5%.

An account holder's RBD does not change even if she takes her first RMD earlier than that date.

**Example 2:** Jackie is a traditional IRA owner who turns age 72 in 2022, her first RMD year. Under a special rule for the first RMD, Jackie can delay the 2022 RMD to 2023 — *until April 1, 2023*. However, if she does that,

Featuring the latest retirement tax law changes, including the SECURE Act and new 2022 RMD rules from IRS in effect now!

Ed Slott and Company's 2-Day IRA Workshop

## INSTANT IRA SUCCESS

July 14-15, 2022 | Nashville, TN



JOIN US! [irahelp.com/2-day](http://irahelp.com/2-day)

## \$400 OFF

Promo Code:  
NEWSLETTER

LEARN MORE

ORDER AT [IRAHELP.COM/NEWSLETTER](http://IRAHELP.COM/NEWSLETTER) OR CALL (877) 337-5688

ED SLOTT'S IRA ADVISOR • MAY 2022

© 2022 Smart Subscriptions, LLC