

Steven Roy Management – Cambyses Capital – Cambyses Financial Advisors, LLC

Required Minimum Distributions (RMDs)

If you turn 70 any time before July 1st of this year, you must make distributions from your IRA or other pension plan to satisfy the IRS’s Minimum Required Distribution requirement.

- If you turned 70 ½ this year, you have until April 15 next year to make your first Required Minimum Distribution. However, if you delay this year’s distribution you have to make two distributions next year. That is usually not the most tax efficient approach.
- The Minimum Distribution requirement applies to almost all pension plans except ROTH plans. No Minimum Distribution is required for ROTH accounts.
- The Minimum Distribution requirement also applies to any pension funds you inherit (or inherited) – regardless of your age.

Compute the Required Minimum Distribution by dividing the total Balances in your retirement plan on the first day of the year by a factor you will find in IRS Publication 590B; Appendix B – There are three tables, make sure you use the right one! (Most Custodians put this information somewhere on your On-Line Account Dashboard, too.) Required Distributions can be made from any/or all of your exempt accounts – as long as the total you distribute is greater than or equal to the Required amount.

Penalties for failure to make a Required Distribution are Draconian. This is one you really don’t want to mess up. If needed, ask your advisors.

There are some exceptions to the Minimum Distribution requirement. Talk to your investment and/or tax advisor(s).

If you are over 70 ½ and you don’t need the money from your Minimum Required Distribution, consider donating it DIRECTLY to a qualified charity.

Done correctly, the distribution is excluded from your income – a substantial advantage over receiving the distribution and then making a charitable contribution in the same amount. The key here is the word “directly:” handle the money and you lose the tax advantage. Most custodians can handle this transaction – but you may have to do a little homework on their behalf.

If you have questions—call us or your tax representative.

EA# 036074, CalBRE License # 01706626, CRD 6499051