FAQ: Important Information About Required Minimum Distributions (RMDs)

Q. What is an RMD?

A. A required minimum distribution (RMD) is the amount that an owner of a traditional individual retirement account (IRA) or a participant in a qualified retirement plan (QRP), which would include Roth 401Ks, must begin withdrawing from their account by April 1 following the year they reach age 72. After the first year, each withdrawal must be made by December 31, or the last business day of the year. You are required to withdraw this amount and include the taxable portion in your income. The RMD is not eligible to be rolled over to another IRA or QRP. You will receive a 1099R tax form from TD Ameritrade after the end of the year showing the amount withdrawn. Roth IRAs are exempt from the RMD requirements.

Q. What happens if I don’t make my full RMD?

A. The IRS may impose a 50% penalty on the difference between the amount of the full RMD and the amount of the RMD that you’ve taken.

Q. How is the amount of an RMD calculated?

A. The required minimum distribution is determined by dividing the retirement account’s prior year-end fair market value by the applicable distribution period or life expectancy.

Q. Can I have my RMD taken out automatically each year?

A. Yes, in fact, TD Ameritrade encourages you to request your RMD be distributed automatically from your IRA or QRP every year. This request will ease the burden of remembering to take it or risking the 50% penalty the IRS imposes if you do not.

To set up your systematic RMD distributions, complete the RMD form. Make sure to select “Annually” under Payment Frequency and “My calculated Required Minimum Distribution (RMD) for this account” under Payment Amount.

*Please note, these requests cannot be placed online and can only be requested submitted with the paper form.

You can also set up recurring distributions for set dollar amounts that do not change or update to match the new RMD each year via our website on the Distributions screen.

*Please note, qualified retirement plans (401(k) profit sharing or money purchase pension plans) are not eligible for online recurring distributions.
Q. Can I arrange to take my RMD by transferring it to another TD Ameritrade account?
A. Yes, you can take your RMD as an internal transfer to a TD Ameritrade non-retirement account (individual, joint, or specialty).

Q. What if my RMD is greater than the available cash balance in my account?
A. You may need to sell securities or transfer securities to a non-retirement account to cover the remaining distribution. Please keep in mind that trades typically have a two-business-day settlement period during which the positions (or cash proceeds) may not be removed from the account.

Q. Is there a different deadline if I reach the RMD age turn 72 this year?
A. Yes. If you reach your RMD age this year, and this will be your first RMD, you can either withdraw your annual distribution by December 31 of this year* or defer it for three months, until April 1 of next year.** This choice to defer is permitted only for the year of your first RMD. See below for a special exception for some 401(k), Profit Sharing and Money Purchase Pension plan accounts.

Moving forward, all annual RMDs must be taken by December 31 of each year.* For example, if you choose to defer this year’s RMD until April 1 of next year,** you will still need to withdraw your annual RMD for next year by December 31.* So you’ll have two RMDs in the same tax year.

Q. What if I am still working and have a 401(k), Profit Sharing or Money Purchase Pension account (QRP)?
A. If you work past the RMD age meaning the age at which you should typically begin taking RMDs, you can postpone your RMD on that company’s QRP (401(k), Profit Sharing, Money Purchase Pension plans) until you stop working. You’ll have to begin taking RMDs from the plan by April 1 of the year following the year you quit/retire in this instance.

In the following instances, however, you will still be required to take your RMD at your specified RMD Age (define):

- If you have other company retirement plans from previous jobs
- If you’re the business owner (or are in the plan and married to a business owner)
- If you own more than 5% of the company offering the plan

Q. Are special steps required if my spouse is more than 10 years younger than I am?
A. If your spouse is listed as the 100% primary beneficiary of your account, we’ve made the calculation for you already so no special steps are required.
Q. How can I arrange to make a qualified charitable distribution and/or distribute stock or send funds to an alternate payee/alternate address?

A. You can request that your RMD be used to make a qualified charitable distribution (QCD) of up to $100,000.

- Log in to your account and click on Client Services > Forms & Agreements > Enter the keyword “Required”.
- To include your donor information to the charity, please include a Letter of Instruction (LOI) when you return the form to us.

If you want to distribute stock or send funds to an alternate payee/alternate address, you can make that selection when you complete the Required Minimum Distribution Form and return it to us.

Please note: The IRS requires that TD Ameritrade report your QCD payment on IRS Form 1099R as a distribution. You will report that the distribution was a QCD on your IRS 1040 tax form when you file your taxes.

Q. What if I have multiple Qualified Retirement Plans?

A. If you have multiple QRP accounts, then you need to take a RMD from each account based on account balance. You may not aggregate RMDs and take from just one QRP plan.

* or the previous weekday if December 31 falls on a weekend

** or the following weekday if April 1 falls on a weekend

TD Ameritrade does not provide tax advice. We suggest you consult with a tax-planning professional or the Internal Revenue Service about your particular situation.

Market volatility, volume, and system availability may delay account access and trade executions.

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