

FAQ: Important Information About Required Minimum Distributions (RMDs)



Q. What is an RMD?

A. A required minimum distribution (RMD) is the IRS-mandated amount that an owner of certain retirement accounts must withdraw by the account owner's "required beginning date," or RBD, and each year thereafter. The RBD depends on the year the account owner was born. After the first RMD 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 a qualified retirement plan (QRP). You will receive a 1099-R tax form from TD Ameritrade after the end of the year, showing the amount withdrawn. Roth IRAs are exempt from the RMD requirements. Traditional IRAs, 401(k)s, Roth 401(k)s, 403(b)s, profit-sharing plans, and money purchase pension plans must satisfy the RMD rules.

NOTE:

- For those born before July 1, 1949, the RBD is April 1 of the year following the year the IRA owner turned 70 1/2.
- For those born on or after July 1, 1949, and before January 1, 1950 the RBD is April 1 of the year following the year the IRA owner turns 72.
- For those born January 1, 1950 or later the RBD is April 1 of the year following the year the IRA owner turns 73.

Q. What happens if I don't take my full RMD?

A. The IRS may impose a 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 RMD 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 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. When is the deadline for the first year's RMD? When is my RBD?

A. 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 plan, and money purchase pension plan accounts.

After your first year's RMD, 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 plan, or money purchase pension plan 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 from your current company’s QRP (401(k), profit-sharing plan, or money purchase pension plan) 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:

- 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

Note: You may only postpone RMDs from the QRP at the company you presently work for. You cannot postpone RMDs (beyond RBD age 73) from QRPs of companies you no longer work for.

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 (QCD), distribute stock, or send funds to an alternate payee/alternate address?

A. You can request that your RMD be used to make a QCD of up to \$100,000.

- Log in to your account and go to *Client Services > Forms & Agreements*. Enter the keyword “Required.”
- To provide 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.

Note: The IRS requires that TD Ameritrade report your QCD payment on IRS Form 1099-R 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 QRPs?

A. If you have multiple QRP accounts, then you must take an RMD from each account based on the account balance. You may not aggregate RMDs and take from just one QRP account.

Investment Products: Not FDIC Insured • No Bank Guarantee • May Lose Value

*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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