

# Frequently Asked Questions: 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 70½. 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 You will receive a 1099R tax form from TD Ameritrade after the end of the year showing the amount withdrawn.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 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 turn 70½ this year?

**A.** Yes. If you turn 70½ 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 age 70 ½, 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. If you have other company retirement plans from previous jobs, you would still need to take your RMDs from those accounts at 70 ½ and cannot postpone RMDs on those plans. If you're the business owner (or are in the plan and married to a business owner), you must take the RMD at 70 ½, whether you're still working or not. Anyone owning more than 5% of the company offering the plan is considered to be a business owner and must take RMDs at age 70 ½. Please consult a tax-planning professional for additional information.

## 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.

\*Qualified Charitable Distributions may be taken from Traditional and Roth IRAs, and from simplified employee pension (SEP) and SIMPLE IRAs if the plan is not ongoing. A plan is ongoing if an employer contribution is made for the plan year ending with or within the IRA owner's taxable year for which the QCD tax treatment is sought.

## Q. What if I have multiple Qualified Retirement Plans?

- A. If you have multiple QRP accounts, then you need to take an 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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