



RMD STRATEGIES

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- Past performance is not indicative of future results. Diversification and asset allocation do not ensure profit or protect against loss in a declining market.
- It is highly recommended that you speak to a proficient financial professional before making any decisions related to your investments.

TAX REFORM ACT OF 1986 (PUBLIC LAW 99-514)



- Signed into law by President Ronald Reagan on October 22, 1986
- The goal was to create a fairer, simpler tax system (also to assuage the democrats who controlled congress...close tax loopholes by creating fewer tax breaks for the wealthy and corporations and lowering tax rates to appease his republican party).
- Lowered top rate for individuals from 50% to 28%; raised the bottom from 11% to 15%
- Eliminated the gap between long term capital gains rates and ordinary income
- Increased mortgage deductions, personal exemptions and standard deductions
- Solidified the alternative minimum tax provision
- Corporate rates were reduced from 50% down to 38%

PUBLIC LAW 99-514—OCT. 22, 1986

100 STAT. 2085

Public Law 99-514
99th Congress

An Act

To reform the internal revenue laws of the United States.

Oct. 22, 1986
[H.R. 3838]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Tax Reform Act
of 1986,
26 USC 1 *et seq.*

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Tax Reform Act of 1986”.

(b) TABLE OF CONTENTS.—

TITLE I—INDIVIDUAL INCOME TAX PROVISIONS

Subtitle A—Rate Reductions; Increase in Standard Deduction and Personal Exemptions

- Sec. 101. Rate reductions.
- Sec. 102. Increase in standard deduction.
- Sec. 103. Increase in personal exemptions.
- Sec. 104. Technical amendments.

Subtitle B—Provisions Related to Tax Credits

- Sec. 111. Increase in earned income credit.
- Sec. 112. Repeal of credit for contributions to candidates for public office.

Subtitle C—Provisions Related to Exclusions

- Sec. 121. Taxation of unemployment compensation.
- Sec. 122. Prizes and awards.
- Sec. 123. Scholarships.

Subtitle D—Provisions Related to Deductions

- Sec. 131. Repeal of deduction for 2-earner married couples.
- Sec. 132. 2-percent floor on miscellaneous itemized deductions.
- Sec. 133. Medical expense deduction limitation increased.
- Sec. 134. Repeal of deduction for State and local sales tax.
- Sec. 135. Repeal of deduction for adoption expenses.

Subtitle E—Miscellaneous Provisions

- Sec. 141. Repeal of income averaging.
- Sec. 142. Limitations on deductions for meals, travel, and entertainment.
- Sec. 143. Changes in treatment of hobby loss, etc.
- Sec. 144. Deduction for mortgage interest and real property taxes allowable where parsonage allowance or military housing allowance received.

Subtitle F—Effective Dates

- Sec. 151. Effective dates.

TITLE II—PROVISIONS RELATING TO CAPITAL COST

Subtitle A—Depreciation Provisions

- Sec. 201. Modification of accelerated cost recovery system.
- Sec. 202. Expensing of depreciable assets.
- Sec. 203. Effective dates; general transitional rules.

Subtitle B—Repeal of Regular Investment Tax Credit

- Sec. 211. Repeal of regular investment tax credit.
- Sec. 212. Effective 15-year carryback of existing carryforwards of steel companies.
- Sec. 213. Effective 15-year carryback of existing carryforwards of qualified farmers.

INCEPTION OF RMD

"(5) an individual retirement annuity described in section 408(b).

Such term includes any plan, contract, account, or annuity which, at any time, has been determined by the Secretary to be such a plan, contract, account, or annuity.

"(d) WAIVER OF TAX IN CERTAIN CASES.—If the taxpayer establishes to the satisfaction of the Secretary that—

"(1) the shortfall described in subsection (a) in the amount distributed during any taxable year was due to reasonable error; and

"(2) reasonable steps are being taken to remedy the shortfall, the Secretary may waive the tax imposed by subsection (a) for the taxable year."

(2) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by striking out the item relating to section 4974 and inserting in lieu thereof the following:

~~"Sec. 4974. Estate tax on certain accumulations in qualified retirement plans.~~

(b) UNIFORM REQUIRED BEGINNING DATE.—Subparagraph (C) of section 401(a)(9) (defining required beginning date) is amended to read as follows:

"(C) REQUIRED BEGINNING DATE.—For purposes of this paragraph, the term 'required beginning date' means April 1 of the calendar year following the calendar year in which the employee attains age 70½."

(c) CONFORMING AMENDMENTS.—

(1) Subparagraph (F) of section 402(a)(5) is amended to read as follows:

"(F) TRANSFER TREATED AS ROLLOVER CONTRIBUTION UNDER SECTION 408.—For purposes of this title, a transfer described in subparagraph (A) to an eligible retirement plan described in subclause (I) or (II) of subparagraph (E) shall be treated as a rollover contribution described in section 408(d)(3)."

(2) Clause (ii) of section 408(d)(3)(A) is amended by striking out the third and fourth parenthetical phrases.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall apply to years beginning after December 31, 1988.

(2) SUBSECTION (c).—The amendments made by subsection (c) shall apply to years beginning after December 31, 1986.

(3) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified before March 1, 1986, the amendments made by this section shall not apply to distributions to individuals covered by such agreements in plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof after February 28, 1986), or

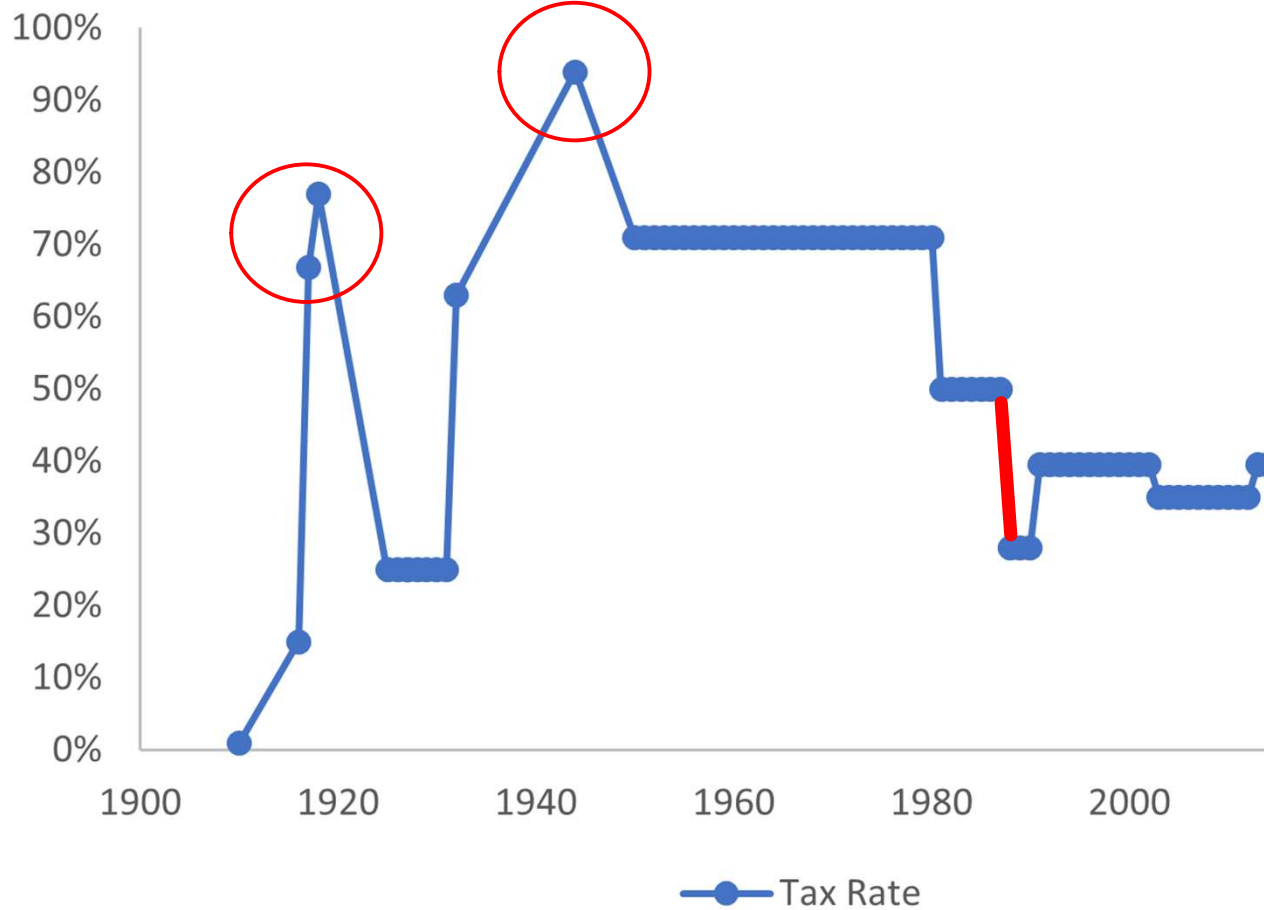
(ii) January 1, 1989, or

(B) January 1, 1991.

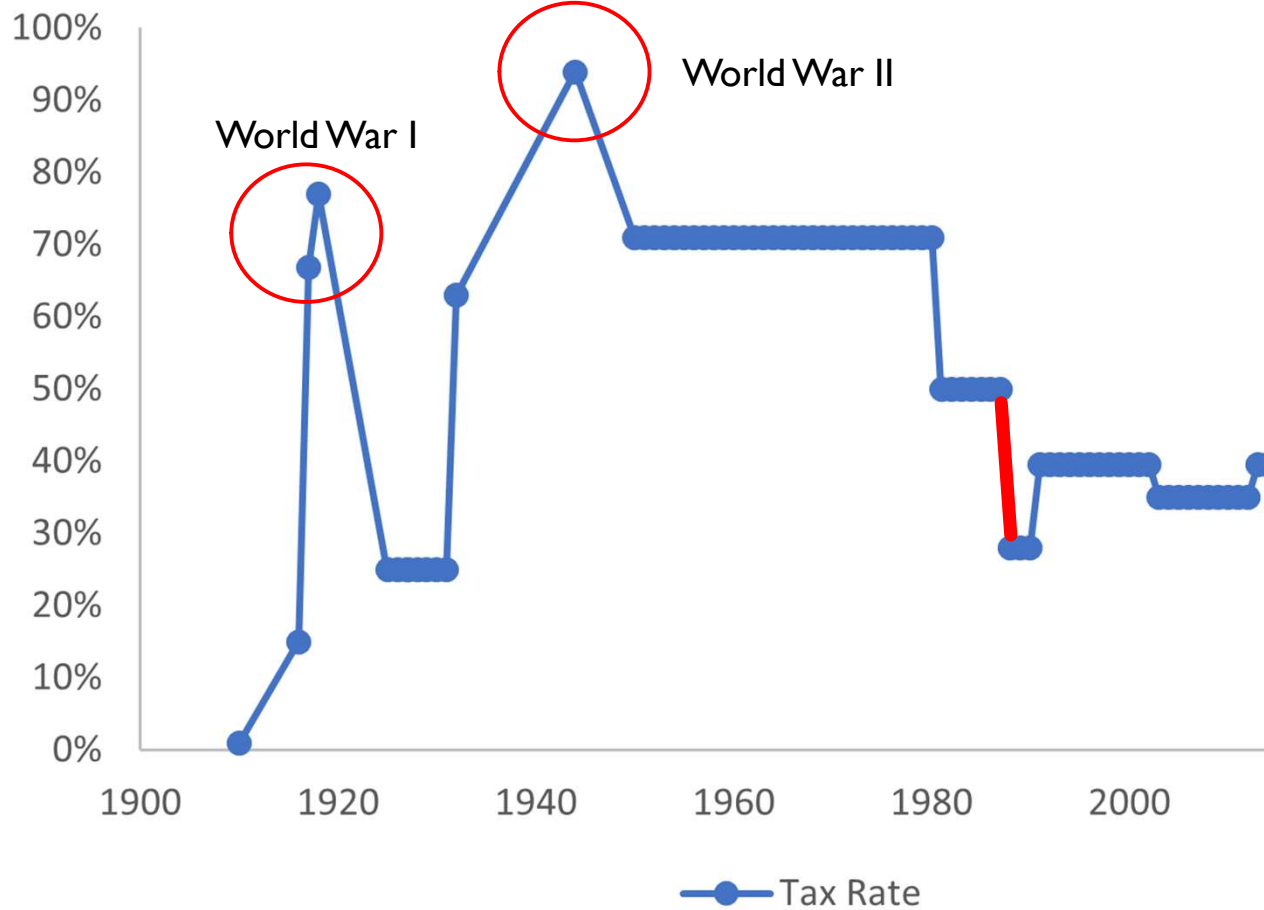
(b) UNIFORM REQUIRED BEGINNING DATE.—Subparagraph (C) of section 401(a)(9) (defining required beginning date) is amended to read as follows:

"(C) REQUIRED BEGINNING DATE.—For purposes of this paragraph, the term 'required beginning date' means April 1 of the calendar year following the calendar year in which the employee attains age 70½."

Part III – Treatment of Distributions, Section 4974 (page 381 of 882)



**TAX RATES
WERE REALLY
HIGH BEFORE
THE 86 ACT**



**TAX RATES
WERE REALLY
HIGH BEFORE
THE 86 ACT**

Who

What

When

Where

Why

How

THE PRINCIPLE OF THE FIVE W'S (AND ONE "H")

WHO IS AFFECTED?



You must begin taking withdrawals from your account once you have attained age 72 and one of two things have occurred:



You are not actively employed at the company who sponsors the plan in which you have a retirement account



You own more than 5% of the company (stock ownership, or partnership interest) who sponsors the plan in which you have an account

The background of the slide features a close-up of a book cover. The word "LAW" is printed in a large, serif font. Above it is a decorative flourish. The book is resting on a wooden surface, and a wooden gavel is visible in the lower right corner.

WHAT IS REQUIRED MINIMUM DISTRIBUTION (RMD)?

- This is the amount that U.S. tax law requires you to withdraw annually from retirement plans that have been funded with pre-tax dollars.

WHEN WILL THE FORCED DISTRIBUTION TAKE PLACE

- Distributions from your account must be processed before December 31 each year.
- 1st Exception: Your first distributions may be delayed until April 1st of the year following the year in which you reach age 72, which is called required beginning date (RBD).
- 2nd Exception: an employee who is still employed may delay the distribution until he terminates employment – a >5% owner cannot use this exception)
- All other min distributions must occur by DEC 31st of the year

WHERE ARE RMDS COMING OUT OF?

Qualified plans:
401K, profit sharing
plans, and money
purchase plans

403(b) plans

457 Plans

Traditional IRAs

SEP IRAs

SIMPLE IRAs

Roth 401K, Roth
403(b), and Roth
457 do apply.

WHY IS THERE SUCH A THING AS RMDs?



- The purpose of RMDs is to ensure that people do not accumulate retirement accounts, defer taxation and leave the funds to heirs.
- You can't run from Uncle Sam forever! Once you turn 72, it's time to reimburse Uncle Sam for all those years of tax deferred growth!
- Bottom-line: creates tax revenue for the government.

HOW DO YOU CALCULATE THE RMD AMOUNT?

Need four variables: 1) RMD tables 2) Your age 3) Retirement balance from prior year 4) A basic calculator

Distributions are calculated by dividing your **account balance from December 31 of the prior year** by the appropriate **life expectancy factor** from the **RMD tables** published by the IRS.

WHICH TABLE APPLIES TO WHOM?

Life Expectancy Tables

Uniform
Lifetime
Table

Joint and
Last Survivor
Table

Single Life
Table

UPDATE

All three Life
Expectancy tables
have been
updated for 2022

Result: New
RMDs will be
lower than Old
RMDs

HOW DO YOU CALCULATE RMDs

IRS UNIFORM LIFETIME TABLE

To calculate RMDs, use the following formula for each account:

$$\begin{array}{l} \textbf{Account Balance} \\ \text{as of December 31 last year*} \end{array} \div \begin{array}{l} \textbf{Life Expectancy Factor} \\ \text{see the Uniform Lifetime} \\ \text{Table** below to find the factor} \\ \text{using the age you turn this year} \end{array} = \textbf{Your RMD}$$

Example

$$\begin{array}{l} \textbf{\$100,000.00} \\ \text{Account Balance} \\ \text{as of December 31 last year*} \end{array} \div \begin{array}{l} \text{Divisor} \\ \text{IRA owner turned 72 this year} \end{array} = \text{?}$$

Uniform Lifetime Table

Age	Life Expectancy Factor
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7
81	17.9

Age	Life Expectancy Factor
82	17.1
83	16.3
84	15.5
85	14.8
86	14.1
87	13.4
88	12.7
89	12.0
90	11.4
91	10.8
92	10.2
93	9.6

FIND YOUR
LIFE
EXPECTANCY
FACTOR

OLD

Age	Life Expectancy Factor
72	27.4
73	26.5
74	25.5
75	24.6
76	23.7
77	22.9
78	22.0
79	21.1
80	20.2
81	19.4
82	18.5
83	17.7

Age	Life Expectancy Factor
84	16.8
85	16.0
86	15.2
87	14.4
88	13.7
89	12.9
90	12.2
91	11.5
92	10.8
93	10.1
94	9.5
95	8.9

FIND YOUR LIFE EXPECTANCY FACTOR

NEW

- This is the latest uniform lifetime table

RESULTS OF THE UPDATED TABLE

Old RMD (2021) – Age 72

- $\$100,000 / 25.6 =$
 $\$3906.25$

New RMD (2022) – Age 72

- $\$100,000 / 27.4 =$
 $\$3649.63$

Result: Lower Distributions!

HOW ARE RMDS TAXED? **Ordinary Income tax rates**

FEDERAL INCOME TAX		
TAX RATE	MFJ	SINGLE
10%	\$0 - \$20,550	\$0 - \$10,275
12%	\$20,550 - \$83,550	\$10,275 - \$41,775
22%	\$83,550 - \$178,150	\$41,775 - \$89,075
24%	\$178,150 - \$340,100	\$89,075 - \$170,050
32%	\$340,100 - \$431,900	\$170,050 - \$215,950
35%	\$431,900 - \$647,850	\$215,950 - \$539,900
37%	Over \$647,850	Over \$539,900

WHAT HAPPENS IF YOU MISS AN RMD?

50% tax on difference between required minimum distribution and amount actually distributed

Taxpayer can request a waiver of the 50% tax if the distribution amount was made in error and corrected immediately

CASE STUDY # 1
– UNMARRIED
OR MARRIED
(AND SPOUSE IS
NOT MORE THAN
10 YEARS
YOUNGER THAN
YOU)

As of Dec. 31, 2021, Peter (current age is 74) had a balance of \$200,000 in his retirement account. It's March and his birthday is in two months.

Use the Uniform Life Table - The most commonly used table

GATHER THE INFORMATION

1) RMD Table used is the Uniform Life Table – his life expectancy factor is 22.9

2) Use age 75

3) Balance is \$200,000

4) Take $\$200,000 / 22.9$

ANSWER

■ \$8,733.63

CASE STUDY # 2
– MARRIED TO A
YOUNGER
SPOUSE

Harriet, turning 72 this year, is married to Joe, age 61. Her IRA balance is \$100,000 as of December 31 of last year. The IRS Joint Life Expectancy Table says their factor is 28.1.

Use table II – Joint life and last survivor

GATHER THE INFORMATION

1) RMD Table used is the Joint Life Expectancy Table – his life expectancy factor is 28.1

2) Use age 72 and 61

3) Balance is \$100,000

4) Take $\$100,000 / 28.1$

Ages	54	55	56	57	58	59	60	61	62
49	41.2	40.8	40.5	40.2	39.9	39.7	39.5	39.2	39.0
50	40.6	40.2	39.8	39.5	39.2	39.0	38.7	38.5	38.3
51	40.0	39.6	39.2	38.9	38.6	38.3	38.0	37.7	37.5
52	39.4	39.0	38.6	38.2	37.9	37.6	37.3	37.0	36.8
53	38.9	38.4	38.0	37.6	37.3	36.9	36.6	36.3	36.1
54	38.4	37.9	37.5	37.1	36.7	36.3	36.0	35.7	35.4
55	37.9	37.4	36.9	36.5	36.1	35.7	35.3	35.0	34.7
56	37.5	36.9	36.5	36.0	35.5	35.1	34.8	34.4	34.1
57	37.1	36.5	36.0	35.5	35.0	34.6	34.2	33.8	33.4
58	36.7	36.1	35.5	35.0	34.5	34.1	33.6	33.2	32.8
59	36.3	35.7	35.1	34.6	34.1	33.6	33.1	32.7	32.3
60	36.0	35.3	34.8	34.2	33.6	33.1	32.6	32.2	31.7
61	35.7	35.0	34.4	33.8	33.2	32.7	32.2	31.7	31.2
62	35.4	34.7	34.1	33.4	32.8	32.3	31.7	31.2	30.8
63	35.1	34.4	33.8	33.1	32.5	31.9	31.3	30.8	30.3
64	34.9	34.2	33.5	32.8	32.2	31.5	31.0	30.4	29.9
65	34.6	33.9	33.2	32.5	31.9	31.2	30.6	30.0	29.5
66	34.4	33.7	33.0	32.3	31.6	30.9	30.3	29.7	29.1
67	34.2	33.5	32.7	32.0	31.3	30.6	30.0	29.4	28.7
68	34.1	33.3	32.5	31.8	31.1	30.4	29.7	29.1	28.4
69	33.9	33.1	32.3	31.6	30.9	30.1	29.4	28.8	28.1
70	33.8	33.0	32.2	31.4	30.7	29.9	29.2	28.5	27.9
71	33.6	32.8	32.0	31.2	30.5	29.7	29.0	28.3	27.6
72	33.5	32.7	31.9	31.1	30.3	29.5	28.8	28.1	27.4

LATEST – JOINT LIFE EXPECTANCY TABLE

ANSWER

■ **\$3,558.72**

CASE STUDY # 3 – INHERITED IRA

A beneficiary goes back to the age at which she took the first RMD after inheriting her father's IRA.

First RMD was taken in 2019 at the age 57. It's now three years later. The account balance on December 31, 2021 was \$300,000.

Use Table I – Single Life Table when you are the beneficiary of an inherited retirement account

GATHER THE INFORMATION

1) RMD Table used is the Single Life Table I – his life expectancy factor is 29.8

2) Use age 57 as the starting point

3) Balance is \$300,000

4) Take $\$300,000 / (29.8 - 3) = 26.8$

Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)
0	84.6				
1	83.7	41	44.8	81	10.5
2	82.8	42	43.8	82	9.9
3	81.8	43	42.9	83	9.3
4	80.8	44	41.9	84	8.7
5	79.8	45	41.0	85	8.1
6	78.8	46	40.0	86	7.6
7	77.9	47	39.0	87	7.1
8	76.9	48	38.1	88	6.6
9	75.9	49	37.1	89	6.1
10	74.9	50	36.2	90	5.7
11	73.9	51	35.3	91	5.3
12	72.9	52	34.3	92	4.9
13	71.9	53	33.4	93	4.6
14	70.9	54	32.5	94	4.3
15	69.9	55	31.6	95	4.0
16	69.0	56	30.6	96	3.7
17	68.0	57	29.8	97	3.4
18	67.0	58	28.9	98	3.2
19	66.0	59	28.0	99	3.0
20	65.0	60	27.1	100	2.8

SINGLE LIFE EXPECTANCY

ANSWER

■ \$11,194.03

INHERITED IRA - TIP

- Now, if you already started taking RMDs from an inherited account and the tables changed, the IRS allows you a one-time reset in 2022. You look up the factor in the new Single Life Table for the year when you first started taking RMD from the inherited account. Then you reduce that factor by the number of years since then. This makes as if the new tables were in effect back when you started. After this one-time reset in 2022, you continue to reduce the factor by 1 in each subsequent year.



**TOP 10 RMD
STRATEGIES**

NUMBER ONE

- Don't get blindsided – Mark your calendar

NUMBER TWO

- Use the latest tables

NUMBER THREE

- Don't need to withdraw RMDs from each IRA that you own

NUMBER FOUR

- Can't stretch your payments any longer

NUMBER FIVE

- Consider charitable giving



NUMBER SIX

- You may get hit with two withdrawals in the same year

NUMBER SEVEN

- The tax penalty for missing RMDs is hefty

NUMBER EIGHT

- Excess distributions don't count for next year

NUMBER NINE

- RMDs apply to ROTH 401K plans too!

NUMBER TEN

- You can minimize (or avoid) RMDs by converting your assets to a ROTH IRA

Calculate your required minimum distribution (RMD)

Use this tool to calculate your RMD for the year. If you're already a Fidelity customer, login and [we'll calculate your RMD for you.](#)



Tell us about yourself

We use the information below to estimate your RMD for this year. [How is my RMD calculated?](#)

Your date of birth / / Month/dd/yyyy

Is your spouse the only primary beneficiary of this account?

Tell us about your retirement account

Account balance as of 12/31/2020 \$

Be sure to adjust this balance to include any pending transfers or rollovers into this account.

Estimated rate of return %
What does this mean?

This percentage is used to estimate your future RMDs. If you're not sure what your rate is, consider using the default rate shown above.

[Exit](#)

[See Your Estimated RMD](#)

IRS PUBLICATION 590-B

- Page 7 – Intro to RMDs
- Page 9 – How to calculate RMDs
- Page 12 – Which life expectancy table to use



Publication 590-B
Cat. No. 66303U

Distributions from Individual Retirement Arrangements (IRAs)

For use in preparing
2020 Returns



Get forms and other information faster and easier at:
 • [IRS.gov](https://www.irs.gov) (English) • [IRS.gov/Koan](https://www.irs.gov/koan) (한국어)
 • [IRS.gov/Espanol](https://www.irs.gov/espanol) (Español) • [IRS.gov/Russian](https://www.irs.gov/russian) (Русский)
 • [IRS.gov/Chinese](https://www.irs.gov/chinese) (中文) • [IRS.gov/Vietnam](https://www.irs.gov/vietnam) (Tiếng Việt)

Contents

What's New	1
Reminders	2
Introduction	3
Chapter 1. Traditional IRAs	6
What if You Inherit an IRA?	6
When Can You Withdraw or Use Assets?	7
When Must You Withdraw Assets? (Required Minimum Distributions)	7
Are Distributions Taxable?	14
What Acts Result in Penalties or Additional Taxes?	22
Chapter 2. Roth IRAs	29
What is a Roth IRA?	30
Are Distributions Taxable?	30
Must You Withdraw or Use Assets?	34
Chapter 3. Coronavirus Relief	35
Qualified Coronavirus-Related Distributions	35
Taxation of Qualified Coronavirus-Related Distributions	35
Repayment and Inclusion in Income of Qualified Coronavirus-Related Distributions	36
Chapter 4. Disaster-Related Relief	36
Qualified Disaster Distributions	37
Repayment of Qualified Disaster Distributions	38
Repayment of Qualified 2018, 2019, and 2020 Distributions for the Purchase or Construction of a Main Home	39
How To Get Tax Help	40
Appendices	44
Index	65

What's New

Coronavirus-related distributions. Recent legislation contains special rules that provide for tax-favored withdrawals, income inclusion, and repayments for certain individuals who were impacted by the coronavirus in 2020. See [Coronavirus Relief](#), later.

Special rules for qualified disaster distributions and repayments expanded. The special rules for qualified disaster distributions and repayments are expanded to apply to those disasters described in the Taxpayer Certainty and Disaster Tax Relief Act of 2020. A qualified disaster is now expanded to include a major disaster that was declared before February 26, 2021, by the President under section 401 of the Stafford Act and that occurred on or after December 28, 2019, and on or before December 27, 2020, and continued no later than January 26, 2021.

WHERE CAN I FIND THE LATEST TABLE?

- <https://www.federalregister.gov/documents/2020/11/12/2020-24723/updated-life-expectancy-and-distribution-period-tables-used-for-purposes-of-determining-minimum>

Shown Here:
Introduced in House (05/04/2021)

117TH CONGRESS
1ST SESSION

H. R. 2954

To increase retirement savings, simplify and clarify retirement plan rules, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 4, 2021

Mr. NEAL (for himself and Mr. BRADY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Financial Services, and Education and Labor, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To increase retirement savings, simplify and clarify retirement plan rules, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Securing a Strong Retirement Act of 2021”.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

[Sec. 1. Short title; table of contents.](#)

[TITLE I—EXPANDING COVERAGE AND INCREASING RETIREMENT SAVINGS](#)

[Sec. 101. Expanding automatic enrollment in retirement plans.](#)

[Sec. 102. Modification of credit for small employer pension plan startup costs.](#)

[Sec. 103. Promotion of 529\(e\)\(2\) credits.](#)

[Sec. 104. Enhancement of 403\(b\) plans.](#)

[Sec. 105. Increase in age for required beginning date for mandatory distributions.](#)

Will the starting age increase to 75?

H.R. 2954 – SECURING A STRONG RETIREMENT ACT OF 2021



QUESTIONS?

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