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# WS 16 RMD Case Studies Outline



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## AGENDA

- Distribution Calendar Year
- Required Beginning Date Issues
  - RBD: 5% owner Case Studies
  - RBD: Non-5% owner Case Studies
  - RBD: QJSA Case Studies
- Rollovers and RMDs
- Other RMD Calculation Issues
- A Variety of Issues
- Recent Changes that Relate to the RMD Rules
  - RR 2014-9
  - QLACs
  - Windsor and Obergefell
- Designated Roth RMD Issues
- 50% Penalty and Individual Waiver
- Correcting RMD Failures Using EPCRS
- Beneficiary Options




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## “Distribution Calendar Year”



## Distribution Calendar Year

- A term that is part of the RMD regulations.
- RMD required for each “distribution calendar year.”
- RMDs may not be rolled over, or transferred, in any distribution calendar year, including the first distribution calendar year.
- First distribution calendar year is the year that age 70½ is attained.
  - Grace period of April 1 after first distribution calendar year to take first RMD, i.e by the RBD.
  - For every other distribution calendar year, the RMD must be taken by December 31.



## Distribution Calendar Year 1.401(a)(9)-5 Q&A, 1(b)

- “b) *Distribution calendar year*. A calendar year for which a minimum distribution is required is a distribution calendar year. If an employee’s required beginning date is April 1 of the calendar year following the calendar year in which the employee attains age 70 1/2, the employee’s first distribution calendar year is the year the employee attains age 70 1/2. If an employee’s required beginning date is April 1 of the calendar year following the calendar year in which the employee retires, the employee’s first distribution calendar year is the calendar year in which the employee retires.”



## Required Beginning Date Issues



## Required Beginning Date Code Section 401(a)(9)(C)

Code Section 401(a)(9)(C) **Required beginning date.**— For purposes of this paragraph—

(i) **In general.**— The term “required beginning date” means April 1 of the calendar year following **the later of—**

- (I) **the calendar year in which the employee attains age 70½, or**
- (II) **the calendar year in which the employee retires.**

(ii) **Exception.**— Subclause (II) of clause (i) shall not apply—

(I) except as provided in section 409(d), in the case of an employee who is **a 5-percent owner** (as defined in section 416) **with respect to the plan year ending in the calendar year in which the employee attains age 70½, or**

(II) for purposes of section 408(a)(6) or (b)(3).



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## Required Beginning Date

Final Regulations Section 401(a)-2 Q&A 2 (b) and(c)

1.401(a)(9)-2 Q&A 2 (b) and (c):

"Q–2. For purposes of section 401(a)(9)(C), what does the term required beginning date mean?

- (b) In the case of an employee who is a 5-percent owner, the term required beginning date means April 1 of the calendar year following the calendar year in which the employee attains age 70½.
- (c) For purposes of section 401(a)(9), a 5-percent owner is an employee who is a 5-percent owner (as defined in section 416) with respect to the plan year ending in the calendar year in which the employee attains age 70½."



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## RBD in Qualified Plan Plan Document Defines RBD

- Document may define RBD as:
  - April 1 after year 70½ is reached for all
  - April 1 after year 70½ is reached for 5% owners AND non-5% owners severed by/in the year age 70½
  - April 1 after year of retirement after age 70½ for non-5% owners
    - Plan may permit in-service at age 70½ for non-5% owners still working – or not
    - If plan does not have in-service, employees looking for RMD are confused
- Check your plan document



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## RBD: 5% Owner Case Studies Question 1

Q. A client is currently a 5% owner through the family attribution rules because his wife owns the business. He is reaching the age of 70½ in 2015. But if his wife sells prior to December 31, 2015 does that mean the client is not a 5% owner?

A. No. When the plan year is the calendar year, if you are a 5% owner on any day in the calendar year in which you attain age 70½, then you are locked-in to being a 5% owner for RMD purposes. Thus, the RBD is April 1 after age 70½.



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## RBD: 5% Owner Case Studies

### Question 2

Q. A 74 year old 5% owner began taking RMDs from his company's 401(k) plan when he attained age 70½. He is still working for the same company and has recently sold all his ownership interest in the company. Must he continue taking RMDs?

A. Yes. The determination of who is a 5% owner for the purpose of requirement to begin RMDs is determined by the ownership interest with respect to the plan year ending in the year the individual attains age 70½.

If the 5% owner wishes to sell his or her interest in the firm after that date, RMDs must continue, regardless of the individual having sold his or her ownership interest.

IRC 401(a)(9)(C)(ii)(I) states: "...except as provided in Section 409(d), in the case of an employee who is a 5-percent owner (as defined in section 416) *with respect to the plan year ending in the calendar year in which the employee attains age 70½*."



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## RBD: 5% Owner Case Studies

### Question 3

Q. A 5% owner is attaining age 70½ on July 31, 2015. He sold his interest in the company on July 12, 2014. The 401(k)'s plan year is July 1 to June 30. Is he a 5% owner for RMD purposes?

A. Yes. The rule is if you are a 5% owner in the plan year ending in the calendar year in which the individual attains age 70½.

In this case, the plan year July 1, 2014 to June 30, 2015 ends in the calendar year in which the 5% owner attains age 70½. Thus, the RBD is April 1, 2016 and RMDs must continue thereafter.



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## RBD: 5% Owner Case Studies

### Question 4

I stop being a 5% owner after RBD?

- Continue RMD distributions

I was an employed non-5% on April 1, after the year I reached age 70½ and became a 5% owner AFTER then?

- Treat as non-5% owner (rules only deal with those who are 5% owners in year 70½ is attained)
- Status as 5% owner (or non-5% owner) locks in for entire RMD payout period **if individual is a 5% owner with respect to the plan year ending in the calendar year in which the employee attains age 70½.**
  - For a calendar year plan year, if the individual is a 5% owner on any day of the year age 70½ is reached, he or she remains a 5% owner for all RMD payments.



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## RBD: 5% Owner Case Studies

### Question 5

Your firm takes over another firm's plans. In reviewing them you find a owner-only plan for a Doctor who is 84 years old. The Doc has been making contributions each year, but there have been no RMDs. How do you proceed?

- **It is discovered in talking with the Doc that he has a TEFRA 242(b) election that he signed prior to 12/31/83**
  - Available for both 5% owners and non-5% owners
- **Payments are to be made based on plan document provisions in effect in 1983. A TEFRA 242(b) election delays distributions until severance of employment after age 70½**
  - although a 5% owner, he never retired and never hit RBD.
- **If there is a revocation of the TEFRA 242(b) election, the individual must make-up missed payments**



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## RBD: Non-5% Owner Case Studies

### Question 1

Q. Plan defines RBD for non-5% owners as April 1 of the year following the later of the year age 70½ is reached or after the year of retirement.

- How do you handle non-5% owners who are still employed in the year they attain age 70½ and that want to start RMDs?
- A. Plan **in-service provision** and a **“Simulated RMD”**
  - Calculate a simulated RMD amount using the prior 12-31 FMV and the applicable divisor
  - Simulates RMD but **is not an RMD**
    - An eligible rollover distribution, **subject to 20% withholding**



## RBD: Non-5% owner Case Studies

### Question 2

The RMD regulations state: “If an employee’s required beginning date is April 1 of the calendar year following the calendar year in which the employee retires, the employee’s first distribution calendar year is the calendar year in which the employee retires.”

Q. The definition uses the word retires. Do RMDs start when the employee “retires” but actually continues to work for the employer on a hourly basis 3 days a week?





## RBD: Non-5% owner Case Studies

### Question 2

A. This is purely a facts and circumstances determination, it is also one of the more difficult issues we have to deal with every year. "Is that person who is no longer "working" there still an employee?"

- Facts and Circumstances – Depends on HR classification of individual
- Is individual being paid as an employee for personal services rendered?
- Is the individual severed and HR classified as terminated or inactive and not working.
- Is individual laid-off?
- Is he on an unpaid leave of absence?
- Disability, and job left open awaiting his/her return?
- On medical leave?

If still employed than no RMD

If not employed than RMD

Employer should make the determination or hire an Labor or HR attorney for help.



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## RBD: Non-5% Owner Case Studies

### Question 3

Plan defines RBD for non-5% owners as April 1 of the year following the later of the year age 70½ is reached or after the year of retirement.

Q. Non-5% owner is age 75 and tells the employer he is going to retire in November 2016. It is now February 2016 and he wants to make an in-service distribution and arrange to send a direct rollover to an IRA. The participant is told he must first take an RMD before the direct rollover. Do you agree?

- Since he has not yet severed employment, nor filed any paperwork to sever employment, and he may change his mind and remain employed. It is not clear that this is his first distribution calendar year. And even if it is, he has not severed yet and thus, he is entitled to an in-service.



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## RBD: Non-5% Owner Case Studies

### Question 4

Wouldn't it be administratively simpler to operate the plan with the same RBD for all participant, i.e. April 1 after age 70½ for all.

Q. Does anyone recommend this?

- Opinion question to the group

Q. Can you change back to this definition?

- If you change back, you are eliminating a distribution option that could be considered a violation of the anti-cutback rules.



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## RBD: Non-5% Owner Case Studies

### Question 5

RBD for non-5% owners is defined as April 1 of the year following the later of the year age 70½ is reached or the year of retirement.

The plan accepts rollover of pretax funds from traditional (non-Roth) IRAs. The participant is beyond the IRA's RBD.

Q. May a non-5% owner roll his/her traditional (non-Roth) IRAs - less his/her IRA RMD for the year - into the qualified plan and defer RMDs on the IRA money rolled into the plan until April 1 after retirement?

A. Yes. Rev. Ruling 2004-12 permits this.



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## Rollover of IRA to Qualified Plan After Age 70½, Rev. Rul. 2004-12

- The following scenario explains the rule
- A Traditional IRA RBD is April 1 after year age 70½ is reached
- A traditional IRA owner works and is a 401(k) participant
  - IRA Owner is **not a 5% owner** of entity sponsoring the plan
- Participant's 401(k) plan:
  1. Accepts rollovers from IRAs
  2. Permits non-5% owners to defer RBD until the later of April 1<sup>st</sup> following year of age 70½ or actual retirement
  3. Rollover of traditional IRA has same treatment
- Traditional IRA owner rolls traditional IRA into 401(k)
  1. Since rollover occurred after IRA RBD, the IRA's RMD for the year may not be rolled to the 401(k)
  2. RBD for the funds rolled in from the traditional IRA is deferred until April 1 after retirement



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## RBD: Non-5% Owner Case Studies

### Question 6

Q. RBD for non-5% owners is defined as April 1 of the year following the later of the year age 70½ is reached or the year of retirement.

- Plan terminates on September 30, 2015. The company and the employees continue.
- As part of the plan termination distributions, must the plan pay RMDs to the non-5% owners who are over age 70½ and still working?
- No.
- RBD never occurred for those non-5% owners who never severed employment.
  - When the plan terminates everyone will be required to receive a distribution of their balance in the plan.
  - If such an individual rolls it into an IRA, for example on November 1, 2015, the first RMD from the IRA will be due by December 31, 2016, based on the balance in the IRA on December 31, 2015.



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## RBD: Plans Subject to QJSA

### Question 1

- Q. A plan is subject to QJSA requirements, what are the participants options at or just before RBD?
- For plans subject to spousal consent requirements, spousal consent is generally required for RMDs
  - Always affects money purchase plan and target benefit plans
- Usually, participant waives the annuity, if married participant must obtain spousal consent to waive the QJSA annuity
- Typically, a blanket spousal consent is acceptable
  - i.e., one spousal consent for all future RMD payments
- If participant wants an annuity, the QJSA must be purchased from an insurance company
  - If participant chooses normal annuity form of payment, i.e. single life annuity if single or QJSA if married, then no spousal consent needed



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## RBD: Plans Subject to QJSA

### Question 2

Q. What could the plan administrator do when the plan is subject to QJSA requirements and the participant and spouse do not waive the annuity and do not respond by RBD?

- The safest approach is for plan to purchase the annuity contract to provide the QJSA
- If participant later responds and wants the account balance method, he can cash in annuity and roll it to IRA or other eligible plan



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## RBD: Plans Subject to QJSA

### Question 3

Q. What if the plan has no response from the participant by RBD and does nothing?

- 401(a)(9) compliance failure
- If plan did not purchase and annuity and it is beyond RBD, see if participant and spouse would like to retroactively waive the QJSA and take make-up RMDs under the account balance method.
  - 50% penalty or plan files under VCP



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## Rollovers and RMDs



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## Rollovers and RMDs: Case Studies

### Question 1

A non-5% owner severs employment on October 9, 2015 at age 72 and must receive an RMD by April 1, 2016.

Q. Is there a difference in the requirement to distribute an RMD if the participant terminates and then promptly takes a new job at an unrelated company?

A. No.

The individual would still need to take an RMD from the company from which they severed employment after age 70½.

- The RBD would be due by April 1 after the year retired.

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## Rollovers and RMDs: Case Studies

### Question 2

Q. In the year the retired 401(k) participant attains age 70½ (i.e. in the first distribution calendar year but before RBD), may a participant roll the entire balance to an IRA?

- No
  - The RMD may not be rolled over
    - Even though, the RBD has not arrived, the “first distribution calendar year” rules prohibit the rollover of the RMD to an IRA
    - Difficult client scenario because the plan has to comply with 401(a)(9) while the participant knows he/she has not reached RBD and wishes to take RMD before RBD but after rollover to IRA

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## Rollovers and RMDs: Case Studies

### Question 3

Q. RMDs are critical to return at least 50% of the participant's tax deferred retirement assets to the tax stream while the participant is alive, (rather than them becoming funds for a beneficiary). Other than that why are RMDs not eligible for rollover?

- **401(a)(31)** does not permit RMDs to be rolled over as they are not eligible rollover distributions
- **401(a)(9)** requires each qualified plan to pay RMD
  - Rollover followed by RMD **doesn't compute in calculation**
    - RMD calculated using on **preceding December 31<sup>st</sup> Value**
    - **Institution with December 31 FMV is responsible for RMD**
    - **Institution receiving rollover is not responsible for calculating RMD on funds not held on prior December 31**



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## Rollovers and RMDs: Case Studies

### Question 4

Q. Can you provide an example of a non-5% owner severing employment at age 74 and directly rolling his 401(k) balance to an IRA?

1. **ABC Firm 401(k) participant, age 74, directly rolls his 401(k) to a traditional IRA on July 20, 2015, less the 401(k) RMD for 2015**
  - RMD for 2015 is to be calculated before the direct rollover is made and the RMD may not be rolled over to the IRA
  - **Institution receiving rollover unable to calculate minimum for 2015 because they had no balance on 12-31-14 to use in the calculation**
    - **Plus, Section 401(a)(9) requires qualified plan to distribute RMD, not send it to an IRA, where it may or may not be distributed**
  - **IRA owner starts calculating RMD for 2016, based on 12-31-15 IRA balance**
2. **Nickel Bank IRA receives direct rollover from 401(k), less the 2015 RMD, on May 24, 2015**
  - Nickel Bank is **not responsible for 2015 RMD** as it had no balance on 12-31-14
    - **401(k) plan paid 2015 RMD at time of direct rollover**
  - Nickel bank **will be responsible for 2016 RMD** because it **had the funds on 12-31-15**



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## Rollovers and RMDs: Case Studies

### Question 5

Q. How is an improper rollover of an RMD into an IRA to be handled?

A. Amount should be **distributed as excess IRA contribution before tax filing deadline**. This avoids the 6% excess contribution penalty on amounts above the IRA traditional contribution limit.

Q. How is an improper rollover of an RMD into an qualified plan to be handled?

A. The RMD is **to be returned plus earnings** as a corrective distribution.



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## Other RMD Calculation Issues



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## Other Calculation Case Studies

### Question 1

Q. Are there other methods of calculating RMDs in a DC plan?

A. Level payments calculated using Uniform Lifetime Table's time period

- Amortization projection programs available
  - Plug in starting amount, assumed rate of interest and length of payout period (based on uniform lifetime table)
- Assumed interest rate issue
- Mathematically level payments produce larger RMD amounts in first half of years, smaller in last half
- Not popular → most want the smallest RMD amount starting at RBD



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## Other Calculation Case Studies

### Question 1

Q. Would you have an example of level payments?

- Balance - \$500,000
- Interest - 10%
- Payout – 26 years
  - Annual Level Amount \$54,058
- This isn't goal of most participants, i.e. to take lowest RMD and pay least tax.
- Compare account balance method
  - At 70  $\$500,000/27.4 = \$18,248$
  - At 71  $\$500,000/26.5 = \$18,868$



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## Other Calculation Case Studies

### Question 2

Q. How do you calculate RMDs in an off-calendar year plan?

- A. RMD is a participant based calculation,
- thus, calculation always on a calendar year
  - Need prior December 31st Value
  - Distribution to be made for each calendar year
  - Suppose plan year is July 1 to June 30
  - Obtaining December 31 Value
    - No problem for daily valued plans
    - Balance forward plans are the issue



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## Other Calculation Case Studies

### Question 2

Q. Would you have an example?

- Balance forward plans calculation
  - Balance 6-30-14      \$24,000
  - Between 7-1 and 12-31-14
    - +Deferrals      \$1,000
    - +ER Allocations      \$2,000
    - -Distributions      - \$500
  - Balance 12-31-14      \$26,500
- Age 71 in 2015, use 26.5
  - $\$26,500 / 26.5 = \$1,000$  RMD



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## A Variety of Issues



### Variety of Issues Case Study 1 Fees and Low Balance RMD

401(k) charges participants a \$50.00 distribution fee.  
If a terminated participant's balance is less than \$50.00, the entire balance is taken as a fee, resulting in no distribution.

Q. If a Participant is over age 70½, and has a balance less than \$50.00, is the RMD to be paid first, or can we take the entire balance as a fee, resulting in no RMD being paid for that year?

A. Discussion about setting policies for paying RMDs and distribution fees.

Suggestion to have a minimum RMD for administration sake. Although amount above RMD is subject to withholding if it exceeds \$200 for the year



## Variety of Issues Case Study 2

### Federal Tax Withholding and RMDs

Q. A participant's RMD is \$1,600. The participant wants to withdraw \$10,000 and does not want any tax withholding. What do you say to the participant?

A. RMDs are not subject to 20% mandatory withholding. Amounts distributed in addition to the RMD are subject to mandatory withholding.

Directly roll the amount above the RMD to an IRA as it can be withdrawn from an IRA without withholding.



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## Variety of Issues Case Study 3

### RMD Due and No Liquid Assets

Q. A participant is in his first distribution calendar year and you notify him that he is required to take an RMD by April 1 of the next year. The participant states that he has no liquid assets in the plan. He had rolled everything out to an IRA two years ago, except the real estate. What are the participant's options?

A. Options include:

- Selling the real estate and distributing the RMD from the proceeds.
- Paying the 50% penalty each year, but this leaves the plan with missed RMDs.
- If he is still working, and plan permits, roll IRA in to cover RMDs.



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## Variety of Issues Case Study 4

### RMD Notification to Former Employee

Q. I mailed the notification that the former employee is turning 70½ this year and the nonspouse beneficiary responded and said the former employee died 8 years ago. What is to be done now?

- A. Go through beneficiary payment process.
- It is over the 5 year period and the funds are subject to 50% RMD underpayment penalty
  - Advise beneficiary to talk to tax advisor and perhaps a reasonable cause exception may be an option
  - Funds not eligible to roll to an inherited IRA



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## Variety of Issues Case Study 5

### RMD Aggregation

Q. Participant tells you they took the RMD for his solo-k from his broker. You find out that he took the aggregate RMD of his broker IRA and his broker solo-k from his IRA for the past three years because he knew he could aggregate the RMDs.

What do you say?

- A. The solo-k RMD amounts for the last three years, plus earnings should be distributed asap. Talk to his tax advisor about best options, perhaps filing Form 5329 and pleading reasonable cause due to lack of understanding of the rules.



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## Recent Changes that Relate to the RMD Rules



### RR 2014-9 Scenario 1

- ▶ The plan administrator of a qualified plan receives a 2015 direct rollover check from a prior employer's plan. The check may be presumed to come from a plan that is qualified IF:
  - The Form 5500, for the distributing plan, did *not* enter Code 3C on line 8a (as that would indicate non-qualified plan status). Form 5500-SF look at line 9a for the 3C.
    - Plan administrator is to go to DOL Form 5500 web site to verify this, i.e. [www.efast.dol.gov](http://www.efast.dol.gov) , search for plan's most recently filed form
  - PROVIDED, there is no evidence to the contrary.
  - If RMD is due for the year, distributing plan is responsible to have made the RMD before the direct rollover.



## RR 2014-9 Scenario 2

- **Section 402(c) → traditional IRA (pre-tax amounts only) rollovers may be accepted by a qualified plan, if plan provision**
- Exceptions to this rule:
  - Inherited IRA
  - SIMPLE IRA where participant lacked two years of participation
- Qualified plan receiving a check payable to: “Qualified plan FBO the participant” from a traditional (not-inherited) IRA may safely assume that the funds are from a traditional, non-inherited IRA, **if:**
  - Check stub indicates distributing account is titled “IRA of Name of the Distributee.”
  - The distributee certifies:
    - The distribution is from a traditional IRA and includes no after-tax dollars, and
    - He or she will not attain age 70½ by the end of year of the transfer
    - Provided, there is no evidence to the contrary
- Rollover Later Found Ineligible: Disgorge, plus earnings



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## Qualified Longevity Annuity Contract (QLAC) Concepts

- With individuals living longer, the QLAC is to help prevent them outliving their retirement funds by providing for an annuity income stream to start as late as at age 80, but no later than age 85
- Regulation is effective July 2, 2014
- Amount that may be invested in a QLAC is limited to the lesser of:
  - 25% of participant's balance, or
  - \$125,000, subject to COLA in increments of \$10,000
- The amount invested in the QLAC is excluded from the RMD calculation.



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## Qualified Longevity Annuity Contract (QLAC) Concepts

- Special RMD rules for payments from a QLAC
  - Generally, the QLAC annuity payment satisfies the RMD for the QLAC
  - Generally, the issuer of the contract will be responsible paying the annuity.
  - There are special rules for 403(b)s
    - If spouse is sole beneficiary and participant dies before annuity starts, spouse is permitted to exceed the annuity that would have been paid to the participant to the degree necessary to satisfy the QPSA rules, if an ERISA 403(b). See A-3(d) of § 1.401(a)-20 and § 1.403(b)-5(e).
- QLAC Regulations may be found at:
  - [http://www.irs.gov/irb/2014-30\\_IRB/ar07.html](http://www.irs.gov/irb/2014-30_IRB/ar07.html)

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## Windsor and Oberregfell RMD Regulation Impact

- Same-gender marriages are spouses for RMD regulations purposes
  - RMD → joint life tables if spouse is more than 10 years younger
  - Surviving spouse beneficiary rules apply in regard to rollovers
  - Surviving spouse may wait until the deceased participant would have been age 70½ to commence payments.

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## Designated Roth RMD Issues



## Roth 401(k) Case Studies

### Question 1

A participant has \$50,000 in 401(k) Roth that has not met the 5 year rule and is not qualified distribution money. The participant also has \$75,000 in pretax dollars.

Q. The participant's RMD for the year is \$4,000. Can the RMD come only from the non-Roth source if the participant so chooses or must the RMD be pro-rata of Roth (including pro-rata taxable earnings) and pre-tax?

A. RMD may be taken from just non-Roth account until designated Roth is a qualified distribution amount, though Roth must be included in the calculation of the RMD. Participant can opt to have RMD amount be taken just from just the designated Roth account once funds are qualified distribution, until they are exhausted.

Though there is no clear guidance to point to, most practitioners would agree that whether the amount is entirely from the Roth, or the pre-tax, or pro-rata should be the participant's decision.



## Roth 401(k) Case Studies

### Question 1

- There is no direct citation in Internal Revenue Code 401(a)(9) nor the 1.401(a)(9) regulations, nor in the designated Roth regulations, nor in the tax reporting rules, that provide for the ability to withdraw just the Roth as an RMD, provided there is enough Roth to satisfy the year's RMD; nor is there any prohibition in any guidance from just withdrawing the Roth as the RMD. There is also no written guidance stating that pro-rating the RMD among the Roth and non-Roth sources is required. Nor is there any guidance that all the RMD must come from the non-Roth source. Some plan administrators make the decision to pro-rate the RMD among the Roth and the non-Roth sources. Some make other choices.



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## Roth 401(k) Case Studies

### Question 2

Roth IRA not subject to RMDs while Roth IRA owner is alive (beneficiaries are subject to RMDs).

Designated Roth is subject to RMD rules due to Code Section 401(a)(9).

Q. Is there a way to avoid Designated Roth RMD payments?

A. If it is before age 70½, just directly roll the money to a Roth IRA. If after 70½, RMDs from the plan need to be handled first.

Yes, but the Roth IRA 5-year clock should be satisfied before considering this.



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## The 5-Year Clock

### Rollover to Roth IRA – Examples

1. Michelle leaves employment at age 68 in 2015. She had deferred into her Roth 401(k) for 2012 and 2015
  - She rolls her money to a First ever NEW Roth IRA in 2015
  - The 5-year clock starts over again in 2015 in Roth IRA!!!
2. Raquel leaves employment in at age 72 in 2015. She had deferred into her Roth 401(k) for 2012 and 2015
  - She rolls her money to a Roth IRA in 2015, less RMD
  - She had opened the Roth IRA in 1999
  - The 5-year clock on the amount rolled into the Roth IRA has been satisfied (as it picks up the Roth IRA clock which started in 1999)!!
3. If the designated Roth dollars are “qualified distribution”, then they are considered “basis” when entering the IRA.
  - If qualified distribution rolled into a new Roth IRA,
    - Earnings made by a new Roth IRA (after the qualified distribution is rolled in), must wait 5-years to be tax free.



## The 50% Penalty and the Individual Waiver



# Excise Tax on Underpayment of RMD

## Code Section 4974

### “(a) General Rule

If the **amount distributed during the taxable year of the payee** under any **qualified retirement plan** or any eligible deferred compensation plan (as defined in section **457(b)**) is less than the minimum required distribution for such taxable year, there is hereby imposed a **tax equal to 50 percent of the amount by which such minimum required distribution exceeds the actual amount distributed during the taxable year**. The tax imposed by this section shall be **paid by the payee.**”



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## How Is the 50% Penalty Paid?

### IRS Form 5329, Attached to 1040

Form <b>5329</b>	<b>Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts</b>	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)	► Attach to Form 1040 or Form 1040NR. ► Information about Form 5329 and its separate instructions is at <a href="http://www.irs.gov/form5329">www.irs.gov/form5329</a> .	<b>2014</b> Attachment Sequence No. 29
Name of individual subject to additional tax. If married filing jointly, see instructions.		Your social security number
Home address (number and street), or P.O. box if mail is not delivered to your home		Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).		If this is an amended return, check here <input type="checkbox"/>
Foreign country name		Foreign province/state/county
		Foreign postal code

### Part VIII Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs)

Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.

50	Minimum required distribution for 2014 (see instructions)	50	
51	Amount actually distributed to you in 2014	51	
52	Subtract line 51 from line 50. If zero or less, enter -0-	52	
53	Additional tax. Enter 50% (.50) of line 52. Include this amount on Form 1040, line 59, or Form 1040NR, line 57	53	

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## Code Section 4974

### “(b) Minimum required distribution

For purposes of this section, the term “minimum required distribution” means the minimum amount required to be distributed during a taxable year under section 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or 457(d)(2), as the case may be, as determined under regulations prescribed by the Secretary.”

### “(c) Qualified Retirement Plan

For purposes of this section, the term “qualified retirement plan” means –

- (1) a plan described under section 401(a) which includes a trust exempt from tax under section 501(a),
- (2) an annuity plan described in section 403(a),
- (3) an annuity contract described in section 403(b),
- (4) an individual retirement account described in section 408(a), or
- (5) an individual retirement annuity described in section 408(b).”



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## Code Section 4974

### “(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 taken to **remedy the shortfall**, the **Secretary may waive the tax** imposed by subsection (a) for the taxable year.”



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## Individual Waiver Method

<b>Part VIII Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs)</b>			
Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.			
50	Minimum required distribution for 2014 (see instructions)	50	
51	Amount actually distributed to you in 2014	51	
52	Subtract line 51 from line 50. If zero or less, enter -0-	52	
53	Additional tax. Enter 50% (.50) of line 52. Include this amount on Form 1040, line 59, or Form 1040NR, line 57	53	

### FORM 5329 Instructions:

**“Waiver of tax.** The IRS can waive part or all of this tax if you show that any shortfall in the amount of distributions was due to **reasonable error** and you are taking appropriate steps to **remedy the shortfall**. If you believe you qualify for this relief, **attach a statement of explanation** and **file Form 5329** as follows.

1. Complete lines 50 and 51 as instructed.
  2. Enter **“RC”** and the **amount** you want waived **in parentheses** on the dotted line next to **line 52**. **Subtract this amount from the total shortfall** you figured without regard to the waiver, and enter the result on line 52.
  3. Complete **line 53** as instructed. You must **pay any tax due** that is reported on line 53.
- The **IRS will review the information you provide and decide whether to grant your request** for a waiver.”



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## Individual Waiver Method Taxable Year

- Missed RMD is taxable in year it should have been distributed.
- An amended Form 1040X is to be filed with the Form 5329 for the appropriate tax year.



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## Individual Waiver Method Taxable Year - Example

- An individual with a traditional IRA attained age 70½ in 2013 and didn't take his first distribution calendar year's RMD by April 1, 2014; nor the second distribution calendar year's RMD by December 31, 2014
- Upon discovering this in February 2015, individual should ASAP take the total of both missed RMDs plus earnings in order to correct the missed RMDs.
- The distribution of the two missed RMD amounts, although made in 2015, would be taxed in the applicable tax year.
- To pay the 50% penalty for the 2013 missed RMD, the 2013 Form 5329 is to be completed and filed for the 2013 tax year with a Form 1040X.
- To pay the 50% penalty for the 2014 missed RMD, if before tax filing deadline for 2014, File Form 5329 for 2014 with the Form 1040.
  - If 2014 tax return already filed, file an amended Form 1040X for 2014.



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## Automatic Waiver for Certain Beneficiaries

- If individual is **sole beneficiary** of participant's benefit **or** of a **separate share**, and
- the amounts are payable under the **life expectancy method**
- And a **payment is missed during the first five years**,
- The excise **taxes are waived if** the **total death benefit** is **paid under the five year rule**
- **Example**
  - Participant dies in 2011 and son is sole beneficiary
  - Son choose life expectancy method early in 2012
  - MRD of \$10,000 taken for 2012
  - MRD of \$12,000 taken for 2013
  - MRD of \$14,000 for 2014 not taken
  - If Son takes the total balance out by Dec.31, 2016, then there is no excise tax on the missed MRD in 2014



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# Correcting RMD Failures Using EPCRS



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## Preliminary Considerations

- Code Section **401(a)(9)** is a **qualification requirement** that all qualified plans must meet by distributing RMDs
- If full RMD is not distributed, then there is a 50% penalty based on the amount of the RMD that was not distributed.
  - **50% penalty for missed RMD is on the participant**
- RMD **process is complex**
- IRS recognizes complexity and frequency of missed RMDs
  - **Adding a reduced fee correction method to EPCRS** in 2006



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## EPCRS to Correct Missed RMDs

- Errors due happen, for example
- Employee's **date of birth may be incorrect on system**
  - **Typo on input of date of birth**
- **Transposition**, e.g. 1945 typed as 1954
  - When typing
  - When being written
- Employee **handwriting illegible, inaccurate**
- Employee **data lost in implementation/merger/acquisition**
- **First employee to ever attain RBD and employer didn't know**
- **RBD is complex: what is document definition?**
- Does the non-5% owner have a severance of employment?
  - Change in status to hourly -- but still a W-2 employee
    - then still employed and not severed



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## VCP Fee If Missed RMD Are Sole Plan Failure

- IRS EPCRS procedure for missed RMDs (originally added in Rev. Proc. 2006-27 EPCRS); Updated by Rev. Proc. 2015-27, effective July 1, 2015

Number of Participants With Missed RMDs	Fee
Up to 150	\$500
151 to 300	\$1,500
Over 300	General Schedule

- **Regardless number of participants**
- **Less than general VCP schedule:**
- **Requires VCP submission**

Number of Participants	Fee
20 or fewer	\$ 750
21 to 50	\$ 1,000
51 to 100	\$ 2,500
101 to 500	\$ 5,000
501 to 1,000	\$ 8,000
1,001 to 5,000	\$ 15,000
5,001 to 10,000	\$ 20,000
Over 10,000	\$ 25,000



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## VCP Fee If Missed RMD Are Sole Plan Failure

- **Rev. Proc. 2015-27, Section 4.12** (Page 14), **Revised Section 12.02(2)** of Rev. Proc. 2013-12 (Page 69)

“

“If (a) a VCP submission involves a failure to satisfy the minimum distribution requirements of §401(a)(9), (b) such failure is the only failure described in the submission, and (c) the failure would result in the imposition of the excise tax under §4974, the compliance fee is \$500 if 150 or fewer participants are affected and \$1,500 if 151 to 300 participants are affected. If the number of affected participants is greater than 300, the general fee under section 12.02 applies.”



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## EPCRS Penalty Waiver Section 6.09(2)

- **EPCRS (RP 2013-12, Page 43) does not automatically waive the 50% penalty when the employer files under VCP.**

- **As part of VCP or Audit CAP** (not available under SCP), in appropriate cases, the **IRS may waive the (§4974) 50% excise tax applicable to plan participants.**

- Under **Audit Cap**

- **Plan Sponsor must:**

- make **specific request for waiver** of §4974 excise tax and
    - **provide an explanation** supporting the request

- IRS will review the request/explanation and, if appropriate as part of CAP; the waiver will be in compliance statement or closing agreement.



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# EPCRS Penalty Waiver

## Section 6.09(2)

- Under VCP,
  - Plan Sponsor, as part of VCP submission, must request the waiver of the §4974 excise tax, and
    - where anyone subject to excise tax is either:
      - an **owner-employee** as defined in §401(c)(3) **or**
      - a **10% owner** of a corporation, **then:**
      - **Plan Sponsor must provide explanation support request**
    - Waiver eliminates need for relief to be requested individually by each affected participant
      - *If VCP is not used to waive the excise tax, then each affected individual is responsible for their 50% penalty.*
  - EPCRS Section 11.02(h) (Page 61-62)
    - If the plan failed to make RMDs, and proposes to correct such failure using the method described above (in Appendix A, section .06, page 84-85), then the Plan Sponsor should submit Form 14568-H, Appendix C, Part II, Schedule 8.



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## IRS Form 14568-H

Form <b>14568-H</b> (January 2014)	Department of the Treasury - Internal Revenue Service <b>Appendix C Part II Schedule 8</b> <b>Failure to Pay Required Minimum Distributions</b> <b>Timely under § 401(a)(9)</b>	OMB Number 1545-1673
---------------------------------------	--	-------------------------

Please include the plan name, Applicant's EIN, and plan number information on each page of the submission

Plan name	EIN	Plan number
-----------	-----	-------------

### Section I - Identification of Failure

Calendar Years	Number of Participants Affected	Total Amount of Missed Required Minimum Distributions

### Section II - Description of the Proposed Method of Correction

- ☐ **Defined Contribution plan only** - The plan will distribute the required minimum distributions (with Earnings from the date of the failure to the date of distribution) to affected participants. For each affected participant, the amount to be distributed for each year in which the failure occurred will be determined by dividing the adjusted account balance on the applicable valuation date by the applicable distribution period. For this purpose, adjusted account balance means the actual account balance, determined in accordance with § 1.401(a)(9)-5 Q&A-3 of the Income Tax Regulations, reduced by the amount of the total missed minimum distributions for prior years.
- ☐ **Defined Benefit plan only** - The plan will distribute the required minimum distributions plus an interest payment representing the loss of use of such amounts. The interest adjustment is determined as follows:



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# IRS Form 14568-H

## Section III - Request for Relief

☐ A. The Applicant requests relief with regard to excise taxes under § 4974

Yes No

☐ ☐

At least one affected participant is either an owner-employee (see § 401(c)(3)) or, if the Plan Sponsor is a corporation, a 10 percent owner of such corporation.

If "Yes," the Applicant submits the following explanation for its request for relief from the § 4974 excise tax:

Catalog Number 68153Y

www.irs.gov

Form **14568-H** (1-2014)

For Paperwork Reduction Act information see Revenue Procedure 2013-12.



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# IRS Form 14568-H

Page 2

Plan name	EIN	Plan number
-----------	-----	-------------

## Section IV - Change in Administrative Procedures

Please include an explanation of how and why the failures arose and a description of the measures that will be implemented to ensure that the same failures will not recur.

## Section V - Enclosures

In addition to the applicable items listed on the Procedural Requirements Checklist for Form 8950, the Plan Sponsor encloses the following with this submission:

Specific calculations for each affected employee or a representative sample of affected employees. (The sample calculations must be sufficient to demonstrate each aspect of the correction method proposed. For a defined benefit plan, these specific calculations must illustrate the interest rate used to represent the loss of the use of the missed required minimum distributions.)



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## Correction Includes Distribution of Missed RMDs Plus Earnings

- EPCRS Appendix A, Section .06, (Page 84-85)
- In a **DC plan**, correction → distribute the missed RMDs + earnings from failure date to distribution date.
- If **more than one year's RMD missed**
  - Determine the amount to distribute for each year, starting when the initial failure occurred, by
    - dividing the adjusted account balance on the applicable valuation date by the applicable distribution period.
    - For this purpose, **adjusted account balance** means the **actual account balance**, determined in accordance with §1.401(a)(9)-5 Q&A-3\*, **reduced by the amount of the total missed minimum distributions for prior years.**
  - \* Balance valued on 12-31, (if last valuation before 12-31, then adjust for contributions or distributions after the valuation date until 12-31)
- In a **DB plan**, the permitted correction method is to distribute the missed required minimum distributions, plus an interest payment representing the loss of use of such amounts.



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## Correction of Missed DC RMD Plus Earnings - Example

### Missed RMDs for 2012, 2013 and 2014

- Missed RMD for **2012**
  - 12-31-11 FMV \$100,000/25.6 (age 72) = 3906.25\*
- Missed RMD for **2013**
  - 12-31-12 FMV \$108,000-3906.25/24.7 (age 73) = \$4,214.32\*
- Missed RMD for **2014**
  - 12-31-13 FMV \$115,000-3906.25-4214.32/23.8 (age 74) = \$4,490.73\*

\* **Gains/Losses** to be calculated and distributed on each RMD amount from date it should have been distributed until distribution date.



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## RMD FINAL REGULATIONS CONTAIN THE BENEFICIARY PAYOUT OPTIONS



## (RMD) Final Regulations

Q. Where are the regulations for beneficiary payment options?

A. RMD Regs provide the beneficiary options

- Check plan document for provisions

Q. What is the significance of knowing if the participant died before or after RBD?

- First question is: Did the decedent die before or after Required Beginning Date? Why?
- There are two similar sets of rules - based on when the death occurred, either:
  - Before the Required Beginning Date (RBD), or
  - On or After the RBD



## Beneficiary Options Death Before RBD

- 5 year rule
- Single Life Expectancy
  - Based on Beneficiary
  - Reduced by one
  - Establish by end of year after participant's death
- Nonspouse Direct Rollover to inherited IRA, using one of the above rules
- Spouse Special Rules (addressed later)



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## Beneficiary Options Death After RBD

- No five year rule
- Life expectancy based on beneficiary
  - If beneficiary younger or on participant if participant younger
  - Reduced by one
  - Establish by end of year after participant's death
- Participant's RMD for year of death must be distributed
- Nonspouse Direct Rollover to inherited IRA



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## Spouse Beneficiary IRA vs. QP plan rules

### Surviving spouse may:

- Make decedent's IRA their own, or assume IRA
- Not make decedent's QP into their own QP account
  
- Roll deceased spouse's IRA into his/her own IRA
- Rollover deceased spouse's QP assets to IRA or to
  - QP of a working surviving spouse, if surviving spouse's plan accepts rollovers
  
- Leave in decedent's IRA or QP, if the QP permits, until the year decedent would have attained age 70½
  - e.g. Surviving spouse > 70½; deceased spouse < 70½
- Take payments from QP as beneficiary, if QP permits
  - Recalculate on single life table each year
- Convert to a own Roth IRA or to an inherited Roth IRA



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## Stretch IRA

Method of prolonging distributions to the beneficiary's beneficiary.

### Without Stretch IRA

- QP Participant dies at 85
- At 84, surviving spouse beneficiary continues plan distributions.
- Surviving spouse dies 2 years later at age 86,
- Her son, named as her beneficiary, has only her remaining schedule of 7.1 years left

### With Stretch IRA

- QP Participant dies at 85
- At 84, surviving spouse beneficiary rolls into an IRA, son is beneficiary
- Surviving spouse dies 2 years later, age 86
- Son, sets-up single life expectancy payout schedule from inherited IRA, using his age 50, and has 34.2 years of payouts (versus 7.1)



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## RMD Regulation

### Beneficiary decision deadline

- Beneficiary decision deadline is generally September 30 of year after participant's death
  - Disclaim being a beneficiary
  - Establish life expectancy payouts
    - Using IRS single life expectancy table
    - Permitted until 12-31 of year after death
    - Within plan or after direct rollover to inherited IRA



## RMD Regulation

### Beneficiary decision deadline

- Beneficiary decision deadline is generally September 30 of year after participant's death
  - Select 5 year rule if available
    - No beneficiary decision by second year after death leaves only the 5 year rule (for deaths before RBD)



## Surviving Spouse May Leave Funds Until Decedent Would Be 70½

Q. When does the rule to leave the deceased spouse's assets until the deceased would have been 70½ make sense?

A. If the deceased participant is before RBD and the beneficiary is beyond RBD.



## When Is 5-Year Rule Available?

- When is the 5 year rule available
  - Before age 70½
  - Only Before RBD
    - RBD is defined in plan document
  - If RBD for an employed non-5% owner is delayed beyond age 70½; and participant dies while working at age 80, does the beneficiary have the 5-year rule?
- Note that the plan does not have to offer the 5-year rule



## RMD in Year of Death

- The RMD in Year of Death must be paid based on the participant's RMD calculation using the preceding December 31st value and the current applicable divisor from the uniform lifetime table (or joint life table)
- The value above the year of death RMD may be used to establish the life expectancy method of payments for the beneficiary



## AGGREGATING RMDs



## IRAs: Aggregating Calculated Minimums When More Than 1 IRA

- Calculate RMD from each traditional IRA
- Then can aggregate amounts per Notice 88-38
- Can take from any of the traditional IRAs (or all)
- Roth IRAs not subject to RMDs while alive

- Example

- Peter has 3 IRAs
- Calculate the RMD for each traditional IRA
  - 1st = \$ 5,000
  - 2nd = 7,500
  - 3rd = 12,500
  - Total = \$25,000
- Take \$25,000 from one IRA, or any combination



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## Qualified Plans May NOT Aggregate Calculated Minimums

- Qualified plans can't use RMD aggregation rule
  - Calculate amount due from each and pay out of each plan
- Example
  - Paul has 3 401(k) retirement plans over his career and attains age 70½
  - Calculate the RMD for each 401(k)
    - 1st = \$ 8,000
    - 2nd = 10,500
    - 3rd = 15,100
    - Total = \$33,600
  - Paul must take the RMD amount from each 401(k) and may not aggregate and take the \$33,600 from just one 401(k)



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## QP and IRA Payment Example

- Mary due \$6,000 from a 401(k)
- And, \$14,000 from IRAs
- She cannot aggregate and take \$20,000 from IRAs or 401(k)
  - Must take the \$6,000 from 401(k) and \$14,000 from IRAs



## Some Other IRA Issues



## IRA Reporting Requirements

- Notice 2002-27
  - Goal to increase compliance
  - Report to participant by January 31st of each year that either:
    - An RMD distribution is due and include amount
    - Offer to calculate the amount
  - To IRS – each IRA that requires an RMD distribution (but not amount)

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## IRA-to-IRA Movement After Age 70½

<u>IRA to IRA Rollover</u>	<u>Transfer of Trusteeship</u>
IRA Owner Withdraws Funds	Institution “Collects” IRA Funds on behalf of individual’s IRA
Check Payable to : INDIVIDUAL	Check Payable to: “Institution as Successor Trustee/Custodian of IRA of John Doe”
IRA Owner use of funds for up to 60 days	IRA Owner has no use of funds
Rollover must be made within 60 days of RECEIPT of funds	Rollover funds go directly to IRA at new Trustee/Custodian
Subject to 10% withholding rules	Not subject to 10% withholding rules
IRS Reportable on Form 1040 series ➤ Distribution on Form 1099-R ➤ Rollover contribution on Form 5498	No reporting to IRS
<u>RMD may not be rolled over</u>	<u>RMD may be transferred</u>
12-month wait rule	Transfer of Trusteeship does not require a 12-month wait

## Exception: “Outstanding Rollover” Participant Rollover

- “Outstanding Rollover”
  - Exception to rule of institution receiving rollover not being responsible for RMD until funds on deposit in that firm on December 31
  - Example:
    - IRA Owner takes distribution of \$90,000 on December 1, 2014
    - IRA owner deposits \$90,000 in new IRA on January 12, 2015 (within 60 days)
  - Receiving institution must verify if RMD was paid before funds received as rollover,
    - if not, then must pay 2015 RMD based on “outstanding rollover”
    - Then, institution verifies and uses amount rolled in during January or February as the 12-31 balance



## Guidance to permit spouse to roll to inherited IRA

- Notice 2008-30 is the guidance to permit spouse to roll to inherited IRA
- Nonspouse Beneficiaries may make a QRC to an inherited Roth IRA, provided eligible
- Spouse may make QRC to either
  - Their own Roth IRA (or Traditional)
  - Inherited IRA, Roth (or Traditional)



## Supreme Court Rules Inherited IRAs Are Included as Part of the Bankruptcy Estate

- The Supreme Court unanimously ruled, 9-0, in *Clark et ux. v. Rameker, Trustee, et al.*, No. 13-299, that inherited IRAs are part of the federal bankruptcy estate.
  - Court ruled that inherited IRAs do not qualify as “retirement funds”



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## Supreme Court Rules Inherited IRAs Are Included as Part of the Bankruptcy Estate

- Supreme Court ruled that three characteristics of inherited IRAs show that they are not retirement funds. Specifically, individuals with inherited IRAs:
  1. May never contribute additional money
  2. Are required to receive distributions from these accounts regardless of their proximity to retirement
  3. May withdraw the entire account balance at any time and use the proceeds for any purpose, without being subject to the 10% early withdrawal penalty



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## Supreme Court Rules Inherited IRAs Are Part of the Bankruptcy Estate

- Inherited IRAs may be established by non-spouse beneficiaries; or by a spouse beneficiary
- Spouse beneficiaries also have the right to roll their deceased spouse's funds directly to their own IRA, which would be exempt from bankruptcy, but which would be subject to the 10% penalty on distributions before age 59½
- A beneficiary in qualified plan needs to consider the bankruptcy protection when deciding to either leave the money in the qualified plan or roll it to an IRA



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## Substantially Equal Payments

- Permits lifetime substantially equal payments to be started at any age
  - QP must be separated from service
  - 10% early distribution penalty waived
- Revenue Ruling 2002-62
  - Must stay with same equal payment until later of:
    - age 59½
    - 5 years of substantially equal payments
- If break substantially equal payments by stopping payments or by taking more, the 10% penalty applies retroactively to all payments



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## Substantially Equal Payments

- Three methods of calculating the substantially equal payments
  - Amortization
  - Annuitization
  - Required Minimum Distribution Method
    - Uses Uniform Lifetime Table for ages under 70
    - This uniform lifetime 10 to age 115



## Resources



## Regulations and Life Expectancy Tables

- 1.401(a)(9) RMD Final Regs. for Defined Contribution Plans, IRA, 403(b) and 457(b) issued April 17, 2002
  - Effective for 2003 (optional use for 2002)
  - Contain RMD Rules and Life Expectancy Tables
    - 2001 Proposed Regs. (Optional Use in 2001 and/or 2002)
    - 1987 Proposed Regs. (Force of final regs. In use from 1987 to 2002 for DC and DB)
- DB RMD Final Regs issued in 2004. Ended calculation by account balance method for DBs
  - Effective in 2004, though account balance method
- Publication 590-B has life expectancy tables and how to calculate RMD



## Required Beginning Date (RBD) Definition Overview

- April 1, After the year age 70½ is reached, for:
  - Non-Roth IRAs
  - 5% Owners
  - Non-5% owners retired before/during year of age 70½
- April 1, After year of retirement after 70½
  - Non-5% owners retiring after year 70½ is attained
- RBD: generally in second distribution calendar year
  - For beneficiaries, if participant dies before RBD, the first distribution calendar is generally the year after the participant dies.



## IRS Uniform Lifetime Table

**Table III  
(Uniform Lifetime)**

(For Use by:  
 • Unmarried Owners,  
 • Married Owners Whose Spouses Are Not More Than 10 Years Younger, and  
 • Married Owners Whose Spouses Are Not the Sole Beneficiaries of Their IRAs)

Age	Distribution Period	Age	Distribution Period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and over	1.9

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## Excerpt from IRS Joint Life Table Age 50 to 59 Co-related to Ages 50 to 84

**Table II (Continued)  
(Joint Life and Last Survivor Expectancy)  
(For Use by Owners whose Spouses are  
more than 10 years younger)**

Ages	50	51	52	53	54	55	56	57	58	59
50	40.4	40.0	39.5	39.1	38.7	38.3	38.0	37.6	37.3	37.1
51	40.0	39.5	39.0	38.5	38.1	37.7	37.4	37.0	36.7	36.4
52	39.5	39.0	38.5	38.0	37.6	37.2	36.8	36.4	36.0	35.7
53	39.1	38.5	38.0	37.5	37.1	36.6	36.2	35.8	35.4	35.1
54	38.7	38.1	37.6	37.1	36.6	36.1	35.7	35.2	34.8	34.5
55	38.3	37.7	37.2	36.6	36.1	35.6	35.1	34.7	34.3	33.9
56	38.0	37.4	36.8	36.2	35.7	35.1	34.7	34.2	33.7	33.3
57	37.6	37.0	36.4	35.8	35.2	34.7	34.2	33.7	33.2	32.8
58	37.3	36.7	36.0	35.4	34.8	34.3	33.7	33.2	32.8	32.3
59	37.1	36.4	35.7	35.1	34.5	33.9	33.3	32.8	32.3	31.8
60	36.8	36.1	35.4	34.8	34.1	33.5	32.9	32.4	31.9	31.3
61	36.6	35.8	35.1	34.5	33.8	33.2	32.6	32.0	31.4	30.9
62	36.3	35.6	34.9	34.2	33.5	32.9	32.2	31.6	31.1	30.5
63	36.1	35.4	34.6	33.9	33.2	32.6	31.9	31.3	30.7	30.1
64	35.9	35.2	34.4	33.7	33.0	32.3	31.6	31.0	30.4	29.8
65	35.8	35.0	34.2	33.5	32.7	32.0	31.4	30.7	30.0	29.4
66	35.6	34.8	34.0	33.3	32.5	31.8	31.1	30.4	29.8	29.1
67	35.5	34.7	33.9	33.1	32.3	31.6	30.9	30.2	29.5	28.8
68	35.3	34.5	33.7	32.9	32.1	31.4	30.7	29.9	29.2	28.6
69	35.2	34.4	33.6	32.8	32.0	31.2	30.5	29.7	29.0	28.3
70	35.1	34.3	33.4	32.6	31.8	31.1	30.3	29.5	28.8	28.1
71	35.0	34.2	33.3	32.5	31.7	30.9	30.1	29.4	28.6	27.9
72	34.9	34.1	33.2	32.4	31.6	30.8	30.0	29.2	28.4	27.7
73	34.8	34.0	33.1	32.3	31.5	30.6	29.8	29.1	28.3	27.5
74	34.8	33.9	33.0	32.2	31.4	30.5	29.7	28.9	28.1	27.4
75	34.7	33.8	33.0	32.1	31.3	30.4	29.6	28.8	28.0	27.2
76	34.6	33.8	32.9	32.0	31.2	30.3	29.5	28.7	27.9	27.1
77	34.6	33.7	32.8	32.0	31.1	30.3	29.4	28.6	27.8	27.0
78	34.5	33.6	32.8	31.9	31.0	30.2	29.3	28.5	27.7	26.9
79	34.5	33.6	32.7	31.8	31.0	30.1	29.3	28.4	27.6	26.8
80	34.5	33.6	32.7	31.8	30.9	30.1	29.2	28.4	27.5	26.7
81	34.4	33.5	32.6	31.8	30.9	30.0	29.2	28.3	27.5	26.6
82	34.4	33.5	32.6	31.7	30.8	30.0	29.1	28.3	27.4	26.6
83	34.4	33.5	32.6	31.7	30.8	29.9	29.1	28.2	27.4	26.5
84	34.3	33.4	32.5	31.7	30.8	29.9	29.0	28.2	27.3	26.5

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# IRS Single Life Expectancy Table, Pt.1

Table I (Single Life Expectancy) (For Use by Beneficiaries)			
Age	Life Expectancy	Age	Life Expectancy
0	82.4	28	55.3
1	81.6	29	54.3
2	80.6	30	53.3
3	79.7	31	52.4
4	78.7	32	51.4
5	77.7	33	50.4
6	76.7	34	49.4
7	75.8	35	48.5
8	74.8	36	47.5
9	73.8	37	46.5
10	72.8	38	45.6
11	71.8	39	44.6
12	70.8	40	43.6
13	69.9	41	42.7
14	68.9	42	41.7
15	67.9	43	40.7
16	66.9	44	39.8
17	66.0	45	38.8
18	65.0	46	37.9
19	64.0	47	37.0
20	63.0	48	36.0
21	62.1	49	35.1
22	61.1	50	34.2
23	60.1	51	33.3
24	59.1	52	32.3
25	58.2	53	31.4
26	57.2	54	30.5
27	56.2	55	29.6

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# IRS Single Life Expectancy Table, Pt.2

Table I (Single Life Expectancy) (For Use by Beneficiaries)			
Age	Life Expectancy	Age	Life Expectancy
56	28.7	84	8.1
57	27.9	85	7.6
58	27.0	86	7.1
59	26.1	87	6.7
60	25.2	88	6.3
61	24.4	89	5.9
62	23.5	90	5.5
63	22.7	91	5.2
64	21.8	92	4.9
65	21.0	93	4.6
66	20.2	94	4.3
67	19.4	95	4.1
68	18.6	96	3.8
69	17.8	97	3.6
70	17.0	98	3.4
71	16.3	99	3.1
72	15.5	100	2.9
73	14.8	101	2.7
74	14.1	102	2.5
75	13.4	103	2.3
76	12.7	104	2.1
77	12.1	105	1.9
78	11.4	106	1.7
79	10.8	107	1.5
80	10.2	108	1.4
81	9.7	109	1.2
82	9.1	110	1.1
83	8.6	111 and over	1.0

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## Questions and Comments

- Thanks for Attending!
- Questions or comments may be sent to me at:  
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