



YEAR-END RMD TAX ALERT

It's that time of year, and we must focus on our Required Distributions from our retirement plans. This alert is simply a reminder to check that your requirement has been fulfilled. As you know, failure to distribute this required amount by December 31 of each year could result in a 50% tax penalty!

For our advisory clients on our managed investment platforms, both you and Legacy Advisors have already been notified. For our clients who hold their IRA's in annuities, we do not receive confirmations. Therefore, we encourage you to call your respective companies (at the toll-free number on your statements). If you still have doubts or concerns about these directions, please call Sharyn at our office: (781) 556-1038.

Below is some useful general information about this requirement provided as a service to our clients.

Required Minimum Distributions (RMD) Overview and FAQ

Definition: Required Minimum Distribution (RMD) is the minimum amount that must be distributed annually for a Traditional/SEP/SIMPLE IRA holders, as well as, participants in qualified plans (such as 401k, 403b, 457 and ESOPs), who reach age 70 1/2.

The RMD amount is calculated per account. If you have more than one IRA account, no matter where the account is held, you can satisfy the RMD from any or all accounts. However, if you also have a qualified mentioned above, you must make a separate RMD from those plans. Custodians will only calculate the RMD for accounts held and funded on their platform by December 31st of the prior year OR if the client requests a recalculation.

Frequently Asked Questions

- 1. Does my custodian automatically calculate RMDs for clients who are over 70 1/2?** Yes, RMD calculations are done automatically for any client as long as the account was opened during the prior year and reflects a Fair Market Value on the last day of the year (any account funded on December 31st or before). Custodians will calculate RMDs for Inherited/Beneficiary IRAs upon request.
- 2. What form is required for an RMD distribution?** Each custodian generally provides an IRA Withdrawal Form must be completed and signed by the client. This form does NOT calculate the RMD, it is only used to facilitate the distribution of funds. It also defines where and when a check or EFT should be made; as well as, how much Federal and MA (5.3%) tax, if any, you choose to withhold from your distribution.
- 3. On accounts where RMD calculations are calculated automatically, is the client notified?** Yes, the client will receive an RMD letter in January stating the new amount for the year. RMD calculations for every year are automatic if the account was opened in the prior year and reflects a Fair Market Value on December 31st. If a client has a systematic distribution (SWP) either annually or periodically throughout the year that is specifically for their RMD, then the amount will automatically be updated for each distribution.
- 4. Are RMD's calculated for Roth IRA's and Inherited/Beneficiary IRA's?** No. Roth IRA's do not have RMD requirements. For all Inherited IRA's, the RMD's are not automatically recalculated, but can be calculated upon request through the IRA Withdrawal Form.

The following is an excerpt from IRS Pub. 590 (<http://www.irs.gov/pub/irs-pdf/p590.pdf>):

Use this worksheet to figure this year's RMD for your traditional IRA (UNLESS your spouse¹ is the sole beneficiary of your IRA and he or she is more than 10 years younger than you.)

Deadline for receiving RMDs:

- Year you turn age 70 ½ - by April 1 of the following year
- All subsequent years - by December 31 of that year

1. **IRA balance² on December 31 of the previous year**
2. **Distribution period from the table below for your age on your birthday this year**
3. **Line 1 divided by number entered on line 2 = your RMD for this year from this IRA**
4. **REPEAT STEPS 1 THROUGH 3 FOR EACH OF YOUR IRAs.**

(Once you determine a separate RMD from each of your traditional IRAs, you can total these minimum amounts and take them from any one or more of your traditional IRAs.)

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

For additional information, please refer to Publication 590, Individual Retirement Arrangements (IRAs).

¹Generally, your marital status is determined as of January 1 of each year. If your spouse is the beneficiary of your IRA on January 1, he or she remains a beneficiary only for purposes of calculating the RMD for that IRA even if you get divorced or your spouse dies during the year.

²You must increase your IRA balance by any outstanding rollover and recharacterized Roth IRA conversions that were not in any traditional IRA on December 31 of the previous year.

We hope this alert helps you address this important issue. Again, do not hesitate to contact us with any concerns.

Very Truly Yours,



Ronald A. Papa, President