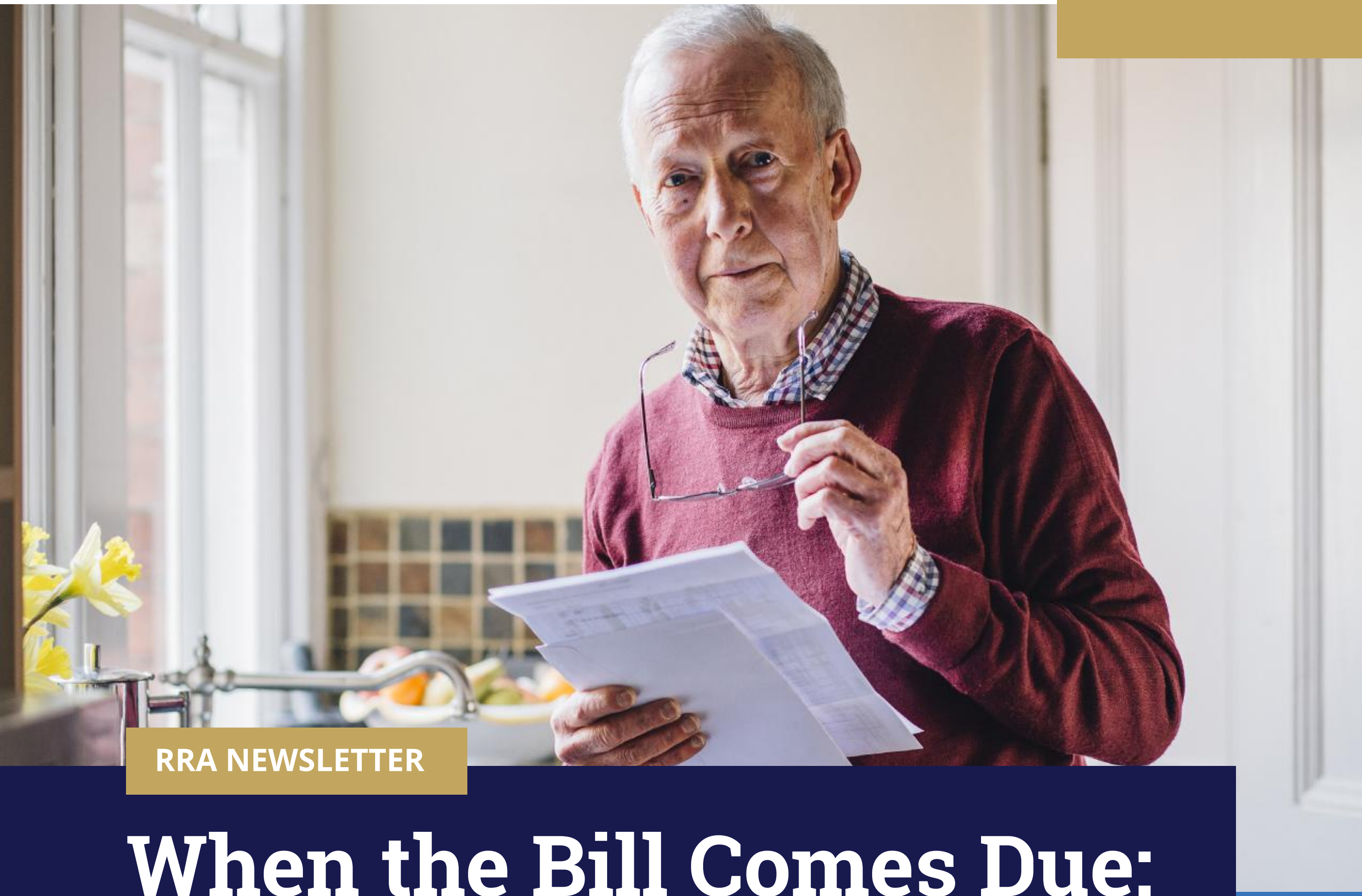
RETIREMENT RISK ADVISORS

Your #1 Source for Retirement Education

JUNE 2022



RRA NEWSLETTER

When the Bill Comes Due: Required Minimum Distributions

The Basics:

Using tax-advantaged retirement accounts to save during your working years is a smart move. By using these accounts, you are deferring taxes. However, this postponement does eventually come with an expiration date. The government will come looking for its share. This bill comes in the form of calculated required minimum distributions (RMDs) beginning when you are age 72.

What are RMDs?

Required minimum distributions are withdrawals from your traditional retirement accounts such as 401(k) or an IRA. The amount is dependent on your savings and life expectancy. RMDs are calculated and serve to collect taxes on money that has grown tax-free. CPAs oftentimes do not want to take multiple RMDs because it increases taxability. However, whether liked or not, after 72, RMDs are mandatory.

How are RMDs calculated?

RMDs are calculated based on life expectancy and the total you have in your retirement accounts. Using one of three IRS tables, your life expectancy is given a factor number which is then divided into the funds subject to RMDs to determine what you need to withdraw.

What is the best way to take RMDs?

While the best way is always to consider your individual circumstances, there are two common ways to take RMDs. First, you may want to wait until the last possible minute which would be Dec. 31 of that year to maximize your returns. Secondly, you may want the regularity of a paycheck, so you could opt into 12 monthly payouts of the RMD.

Why You Should Never Skip & How to Ease Withdrawals

Skipping an annual RMD will result in heavy penalties versus what the income tax may have been. You would be fined a 50% excise tax of the RMD you should have taken. For instance, if you did not take your RMD of $10,000 you would have to pay a levy of $5000 to the IRS—an amount far greater than the income tax you would have needed to pay. Unfortunately, no catchups would be permitted in future years and no credit is given for taking more in past years.

The bill comes due to all tax-advantaged retirement accounts. Unfortunately, there is no way to avoid this, but there are a few ways to lighten the toll. Some strategies are following:

Charitable Donation

After calculating your RMD you can donate up to $100,000 to an authorized charity of your choice via a qualified charitable distribution (QCD). A QCD does not add to your taxable income, therefore you are lessening your tax bill and are providing funds for good causes. Note the QCD must be directly made to the charity. If you accepted it as an RMD and then donated, you may still be responsible for the taxes.

The Still-Working Exemption

CPAs not retiring at 72 are exempt, but the exception only applies to the current employer's retirement plan. So, while it does not defer all RMDs, it helps! If you are approaching 72, consolidating your retirement accounts into your current employer's plan may be a great idea.

QLAC Delays

You could use funds from a traditional retirement account such as your IRA or 401(k) to purchase a qualified longevity annuity contract (QLAC). Doing so may reduce your RMDs. As a deferred annuity, QLAC payouts can be put off until age 85, thus putting the tax bill the retirement funds used due later as well for approximately a decade.

Roth Conversion

As the only tax-advantaged retirement accounts, Roth IRAs do not have RMDs. You have a window between when you retire until when the first RMD comes due to make sure of Roth conversions. CPAs see their income drop after retirement making that window for Roth conversions more than perfect to convert traditional accounts into a Roth IRA while in the lower income tax bracket.

However, this often-underutilized retirement strategy comes with some risk.

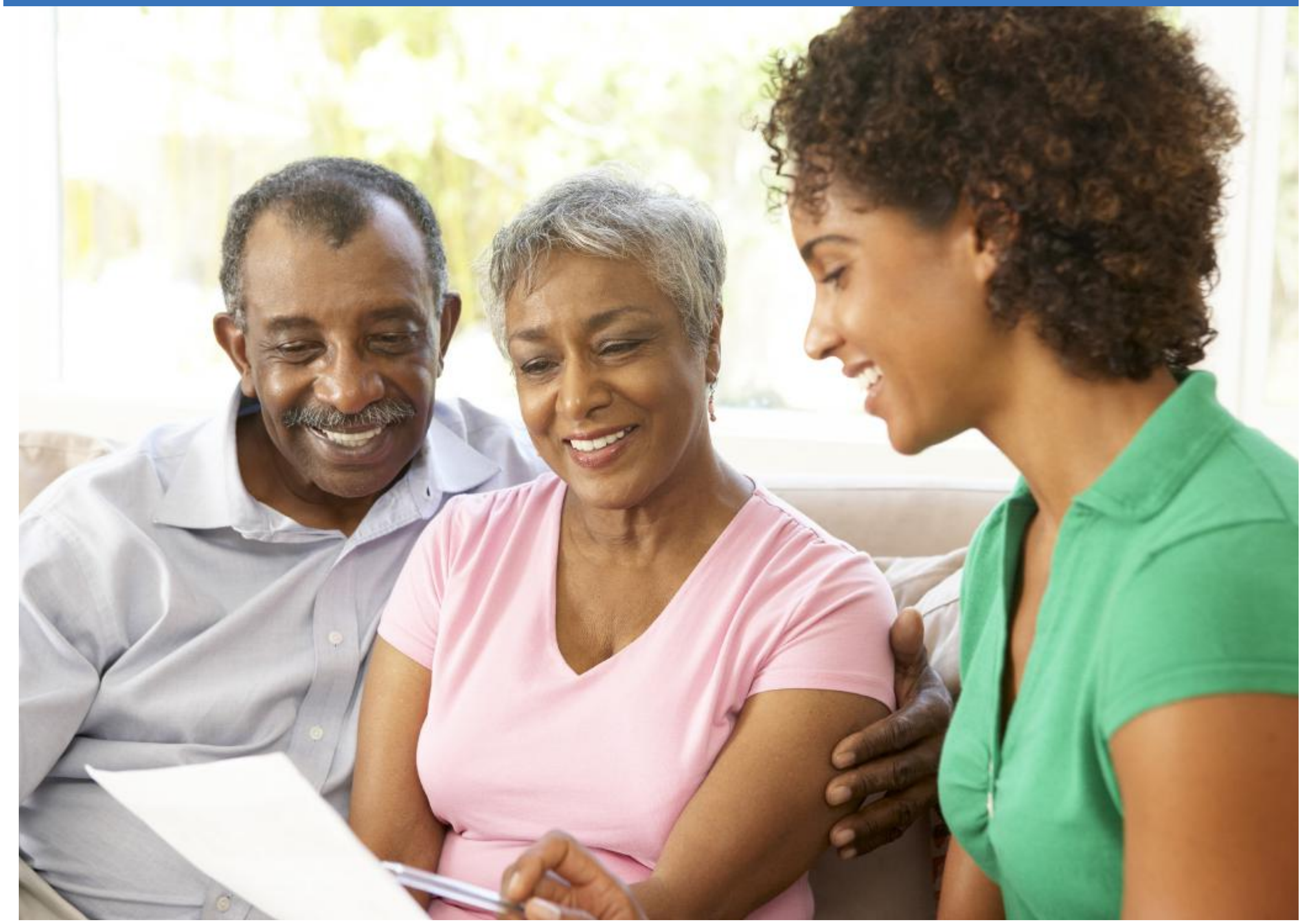
1.Moving pre-tax money means paying taxes when moved into the Roth IRA.

2.You may increase the portion of your SS benefits that are taxed or may trigger the Medicare surcharge tax.

Ultimately, you can have your money grow tax-free, RMD-free until you or your family need the funds.

Ways to Use Your RMDs

Your need for RMDs may vary, you may take just enough or more out depending on your unique retirement situation.



1 *Living Expenses*

As a means of income, retired CPAs use the withdrawals to cover living expenses. Supporting your retirement lifestyle is the objective of saving and working so hard during your career.

2 *Save/Reinvest your RMDs*

Use the money for your emergency fund or use your RMDs to reinvest. Consider a mutual fund if you want to explore investment growth or consider an annuity for your earnings to grow tax deferred.

3 *Life insurance payment*

Use your RMD funds to create a legacy or inheritance for after you pass. Funding a life insurance policy may be an option for you and your heirs should you not need the RMD.

Upcoming June Webinars

6/3
How to Retire in the 0% Tax Bracket

6/10
Shopping for Long-Term Care Insurance & Your Nursing Home

6/13
A Framework for Your Retirement Income Strategies

How to Protect Your Retirement Assets Before the Next Crash

6/15
Women, Money, and Power: Take Control of Your Financial Future

The Truth About Reverse Mortgages: Everything You Need to Know

6/16
The Changing World of Retirement **(4 CPE credits)**

6/17
Tax-Free Income for Life: How to Eliminate Risk in Retirement

6/21
Roth IRAs; A Great Options for Most Retirees

6/24
The Foundation for a Secure Retirement **(4 CPE credits)**

6/27
Getting Safely Through Retirement – A New Paradigm in Retirement Planning

6/28
Take Control of Your Retirement with a Self-Directed Plan

The Changing World of Retirement **(4 CPE credits)**

6/29
How to Retire in the 0% Tax Bracket

6/30
Evolving Retirement Law: The Challenges, The Changes, and Your Choices

RetirementRiskAdvisors.com/events

Your Retirement is at Risk

Longevity is increasing yearly.

Inflation has risen alarmingly.

Taxes are projected to double in the coming years.

We have the solution for CPAs so your retirement is safe.

FREE 2 CPE WEBINAR - JUNE 27TH at 9AM EST

Getting Safely Through Retirement

RetirementRiskAdvisors.com/events

Contact

Retirement Risk Advisors

(855) 491-0400

support@retirementriskadvisors.com
www.retirementriskadvisors.com

1309 Coffeen Avenue, Suite 3851
Sheridan, WY 82801