

The background of the top half of the page is a photograph. It shows a person's hands in a blue denim shirt. One hand is holding a coin over a glass jar filled with coins. The other hand is holding a pen over a calculator and some papers on a desk. In front of the jar are several small stacks of coins of increasing height.

TURNING 73 IN 2024?

Your Guide to Required Minimum Distributions (RMDs)

By Laura H. Yalanis, CPA, MST
Partner, Director of Tax Services

BOSTON | GENEVA | LAUSANNE | NEWPORT | PAWTUCKET | PROVIDENCE | WALTHAM

KahnLitwin.com | 888-KLR-8557

Introduction



Turning 73 in 2024? Time to take your first RMD from your retirement accounts!

Wondering how to get started? How much do you have to withdraw? What are the penalties if you miss the deadline?

We address all of these questions and more in our guide to RMDs.



Each year after you reach a certain age, you're generally required to withdraw a minimum amount from your tax-advantaged retirement accounts.

Congress recently changed the age at which the RMD rules kick in. To add to the confusion, the change went into effect *after* some people who would have been affected by the rules under prior law had already started taking RMDs for 2023.

Here are answers to common questions about RMDs to help clarify your withdrawal requirements from IRAs and employer-sponsored retirement accounts for this tax year and beyond.

When Do I Need to Start Taking RMDs?

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 changed the rules for retirement and estate planning. One major development was an increase in the age at which people must start taking their RMDs from 70½ to 72. In December 2022, the SECURE 2.0 Act further increased the required beginning date (RBD) age for RMDs to 73 in 2023 through 2032. The RBD age is scheduled to climb to 75 in 2033, making it a moving target.



**Let Us Help You Take the
Guesswork Out of RMDs**

Let's Chat



What If I Will Turn 73 in 2024?

The RBD is defined as April 1 of the calendar year *following* the year in which an individual reaches the applicable age. So, an IRA owner who turns 73 in 2024 (born in 1951) now will have an RBD of April 1, 2025, rather than April 1, 2024. The first distribution made to the IRA owner that will be treated as a taxable RMD will be a distribution made for 2024. However, if you delay your initial RMD until April 1, 2025, you will need to take two RMDs in 2025. Depending on your other taxable income this may or may not make sense.

The following table helps clarify when you'll be required to take RMDs from your retirement accounts:

BIRTHDAY	RMD AGE
Born before July 1, 1949	RMD age is 70 ½
Born July 1, 1949, to December 31, 1950	RMD age is 72
Born January 1, 1951, to December 31, 1959	RMD age is 73
Born after January 1, 1960	RMD age is 75

Note: The later RMD age under SECURE 2.0 doesn't affect you if you turned 72 before 2023. So, if you turned 72 in 2022, you should have taken your *initial* RMD for calendar year 2022 by no later than April 1, 2023, and you must take your *second* RMD for calendar year 2023 by December 31, 2023. The December 31 deadline applies for all years after you've hit the RBD age.

What Happens If I Don't Take an RMD?

If you don't take RMDs after you've reached the applicable age, you'll be hit with a federal tax penalty, unless an exception applies.

The penalty for failing to take RMDs is hefty, but it's been lowered under SECURE 2.0. Under prior law, the IRS could impose a 50% penalty on the difference between the amount you were required to take (the RMD) and the amount you withdrew for the year. Starting in 2023, the penalty has been reduced from 50% to 25% under SECURE 2.0. In addition, under current law, you may reduce the penalty to only 10% by correcting any shortfall in a timely manner (generally within two years after the year of the shortfall).

Note: The IRS may waive penalties for failure to take an RMD in certain situations. For example, waivers could be granted, up to applicable limits, for withdrawals by individuals with certified terminal illnesses and for unforeseeable or immediate family emergency expenses.



**Let Us Help You Take the
Guesswork Out of RMDs**

[Contact Our Team](#)

Are RMDs Required for Roth Accounts?

In general, the RMDs rules cover traditional IRAs and IRA-based plans, such as SEPs, SARSEPs and SIMPLE-IRAs. They also apply to tax-favored employer-sponsored retirement plans, such as 401(k) plans, 403(b) plans, 457(b) plans, profit sharing plans and defined contribution plans. However, participants in an employer-sponsored plan can delay taking their RMDs until the year they retire, unless they're a 5% or greater owner of the business that sponsors the plan.



Once you reach the applicable age, you also must take RMDs from designated Roth accounts in employer-sponsored plans for 2023, including those with a required beginning date of April 1, 2024. You may be able to avoid the RMD rules for 2023 for a Roth 401(k), Roth 403(b) or Roth 457 by rolling the funds into a Roth IRA.

Important: Thanks to SECURE 2.0, for 2024 and later years, RMDs will no longer be required from designated Roth accounts.

Roth IRAs set up in your name that have been open for at least five years are *exempt* from the RMD rules during your lifetime, allowing your account to accumulate money to pass down to your heirs. But if you *inherit* a Roth IRA, the RMD rules come into play.

Distributions from Roth IRAs are generally not taxable.

Are RMDs Required for Inherited IRAs in 2023?

The inherited IRA rules and retirement plan rules are complex — and they've changed under recent legislation.

Before the SECURE Act of 2019, you were allowed to gradually drain an inherited account over your IRS-defined life expectancy. Therefore, depending on your age, you could potentially keep an inherited account open for decades and continue to reap the tax advantages. Plus, you had the option of passing inherited IRAs to later generations, allowing you to possibly defer taxes even longer. This so-called “stretch IRA” strategy was particularly advantageous for inherited Roth IRAs because qualified withdrawals from those accounts are tax-free.

The SECURE Act now requires most non-spouse beneficiaries to take RMDs ratably from accounts inherited from owners who died after 2019 within 10 years after the account owner's death. The new 10-year rule applies regardless of whether the account owner dies before, on, or after his or her RBD.



However, there are some exceptions to the inherited IRA and retirement plan rules for “eligible designated beneficiaries.” Examples include:

- The surviving spouse of the deceased account owner,
- A minor child of the deceased account owner,
- A beneficiary who’s no more than 10 years younger than the deceased account owner, or
- A chronically ill individual.

Eligible designated beneficiaries are generally able to take RMDs over their IRS-designated life expectancies, beginning with the year *following* the year of the account owner’s death. However, if an eligible designated beneficiary dies, the account balance must be distributed within 10 years to avoid a penalty. Likewise, if an eligible designated beneficiary is an account owner’s minor child, the account balance must be distributed within 10 years after the date that child reaches the age of majority under applicable state law to avoid a penalty.

Note: There’s some uncertainty regarding the inherited IRA and retirement plan rules for beneficiaries of account owners who died after 2019 who haven’t yet taken withdrawals for 2020, 2021 and/or 2023 based on a position that they aren’t statutorily required to do so. IRS Notices 2022-53 and 2023-54 grant [transitional relief](#) to these individuals until the IRS publishes final regulations on the matter. Those who received an inherited IRA in 2023 will not face a penalty if they do not take an RMD in 2023 [IRS Notice 2023-54].



If I Don't Need the Money, Do I Have to Take My RMD?

Yes, but you have a few different planning options. You can opt to donate all, or a portion of your RMD from an IRA directly to charity through a Qualified Charitable Distribution (QCD). A QCD can help you lower your taxable income and benefit the charities of your choice, because it doesn't have to be included in your income. It's considered an "above-the-line" deduction, meaning that it reduces your gross income as opposed to a potentially limited itemized deduction. You can donate up to \$100,000 per spouse directly from your IRAs, subject to certain limitations.

Another option is using the RMD to purchase long-term care insurance, which covers expenses associated with chronic illnesses, disabilities and other conditions. It generally covers home care, assisted living, adult daycare, nursing home and Alzheimer's facilities.

Lastly, you might consider reinvesting the money in taxable accounts. This includes deposit accounts, taxable brokerage accounts and municipal bonds. We can help you determine what's appropriate for your situation.

How Do You Calculate Your RMD?

Annually the RMD is calculated by dividing the IRA balance as of December 31 of the preceding calendar year by the applicable life expectancy factor from IRS tables. A separate table is used if the sole beneficiary is the owner's spouse who is 10 or more years younger than the account owner. You can find the tables here:

<https://www.irs.gov/retirement...>

Are RMDs Considered Income?

RMDs are generally subject to federal and (if applicable) state income taxes. However, to the extent an RMD is a return of basis or a qualified distribution from a Roth IRA, it's tax free.

Let Us Help You Take the Guesswork Out of RMDs

Let's Chat



What Are the Reporting Requirements for RMDs?

IRA trustees are required to report the RMD amount to IRA owners, or to calculate it for the owners on request, by January 31 of the year the distribution is required. However, as the RMD can be withdrawn from whichever IRA you choose, you're responsible for ensuring the proper amount is timely received. You could be hit with a 25% penalty tax if you don't withdraw the RMD amounts each year. It's your responsibility to take the RMD, not the responsibility of the trustees. If you have multiple retirement accounts, you need to add them all up to calculate the proper RMD. However, you can select which account(s) you wish to take the money from as long as the total distributions equal or exceed the RMD.



Share This Guide

[Contact us](#) to take the guesswork out of taking RMDs and for more details on what's changed under recent legislation. We can help you comply with the rules and minimize any adverse tax consequences.



ABOUT THE AUTHOR

[Laura Yalanis](#) is a Partner and Director of KLR's Tax Services Group. She provides tax solutions for individuals and businesses.

Spending time with her clients to understand their specific needs, and then navigating them through difficult tax and business situations, is what she enjoys most.

When we say, "Become Future Ready," we mean that we are in the business of not just keeping up with the times but leading them. Our mission statement is the driving force behind every decision, every project, and every interaction we have. [Learn more here.](#)



888-KLR-8557 | KahnLitwin.com