ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Aggregating Required Distributions from Retirement Plans

Many clients have more than one retirement plan or account. When they reach age 70½ and have to start taking required minimum distributions (RMDs) from their own, non-inherited accounts, the question comes up as to which of these distributions can be combined and taken from one account.

Advisors and individuals sometimes think that it doesn't matter which account makes the distribution as long as the total calculated amount is taken from some account. They are wrong! There are specific rules for aggregating RMDs from retirement accounts.

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RMD Aggregation Rules

IRS tells us that an RMD should be calculated for each account separately. Then, where aggregation is allowed, those RMD amounts can be added together and the distribution can be taken in any proportion from one or more of the aggregated accounts.

It is also important to remember that an RMD cannot be rolled over from any one account to another account and the RMD is considered to be the first funds distributed from any retirement account during the year. Thus, an IRA CD that comes due in March cannot be moved in its entirety as a 60-day rollover to another retirement account. The RMD amount must be subtracted from the amount that is subsequently rolled over.

The same is true when a distribution is made from an employer plan. All plan distributions are considered rollovers, even when they go directly from the plan to another retirement account. Any RMDs that are due must be paid to the plan participant before the funds are moved.

IRA RMDs can be *transferred* from one account to another. A transfer is when the IRA funds go directly from one financial institution to another financial institution. The RMD can then be taken later in the year. An advisor must make sure that the RMD is taken by the client.

WHAT'S INSIDE?