

REQUIRED MINIMUM DISTRIBUTIONS - PARTICIPANTS AGE 70½ OR OVER

Required Minimum Distributions

A Required Minimum Distribution (RMD) is the minimum amount that a participant must withdraw each year. Effective 1/1/20, these will generally start with the year in which he or she reaches age 72. However, if a participant is age 70½ or over as of 12/31/19, then these may need to begin earlier. If an individual is a participant in more than one qualified plan, each plan must satisfy the minimum distribution rules separately.

Required Beginning Date (if age 70½ on or before 12/31/19)

The first RMD for an employee **who is a more than 5% owner** and is age 70½ or over must be made by April 1 of the year following the calendar year in which the participant reached age 70½.

The first RMD for an employee **who is not a more than 5% owner** and is age 70½ or over must be made by April 1 of the year following the calendar year in which the later of two events occurs:

- the participant reached age 70½, or
- the participant terminates or retires

Required Beginning Date (if not age 70½ as of 12/31/19)

The first RMD for an employee **who is a more than 5% owner** and is age 72 or over must be made by April 1 of the year following the calendar year in which the participant reaches age 72.

The first RMD for an employee **who is not a more than 5% owner** and is age 72 or over must be made by April 1 of the year following the calendar year in which the later of two events occurs:

- the participant reaches age 72, or
- the participant terminates or retires

Subsequent Required Minimum Distributions

Required minimum distributions must be withdrawn by December 31 for each subsequent year after the participant's required beginning date.

The participant will generally have two required distributions in the first year following the year the participant reaches age 70½ or 72, as applicable. April 1 (for the year the participant turns 70½ or 72) and December 31 (for the year following the year the participant turned 70½ or 72). To avoid having both of these amounts included in the participant's income for the same year, the participant may take the first distribution by December 31 of the year the participant turns 70½ or 72, as applicable, instead of waiting until April 1 of the following year.

Action Needed

When completing the annual administration for the plan year, we will determine which participants are due a Required Minimum Distribution. In order to properly calculate the RMD, we will need the date of birth for the participant's beneficiary and the beneficiary's relationship to the participant. We will provide the amount to be distributed for each participant due an RMD. If, however, any participant in your plan was age 70½ or over on or before 12/31/19 or age 72 or over after 12/31/19 and you have not received this information, or if you have any questions, please contact the client manager or administrator for your plan.

Consequence for Failing to Take Required Minimum Distributions

Any participant who has not taken their required minimum distribution, or if the distribution is not large enough, may be subject to a 50% excise tax on the amount not distributed as required.

IRS Form 1099-R

The minimum distribution must be reported on the IRS Form 1099-R.

Individual Retirement Accounts

These rules apply to IRAs also. If an individual has more than one IRA, the RMD must be calculated for each IRA separately. The RMD amounts, however, may be aggregated and the total withdrawn from one IRA or a portion can be withdrawn from each IRA.