

QUALITY TAX & BUSINESS PARTNERS

Putting the Financial Pieces of Your Life Together

IRA DISTRIBUTION

RMD's- Required Minimum Distributions

QCD's- Qualified Charitable Distributions

Avoid the penalties and get rewarded for your generosity!

Required minimum distributions are a necessary evil of retirement plans, such as 401(k) plans, 403(b) plans, 457(b) plans, and traditional IRAs, SEP, and SIMPLE plans. A Roth IRA is the only retirement vehicle that does not require you to take money from the account when you reach certain age.

Generally speaking you must annually withdraw a minimum amount from your plan in the year you reach 70 ½. There is an exception for withdrawals from 401(k), 403(b) or 457(b) plans if you are still employed and contributing to the plan. This exception does not apply to any IRA plans (Roth excepted) regardless of your employment status. You must calculate a required minimum from each of the plans that you have and make arrangements accordingly to have it distributed. You, the plan participant, are responsible for taking the correct amount or face a 50% penalty. That's 50% of the amount you should have taken going right back to the government. You have worked too hard to earn and save that money to let it end up in the hands of Uncle Sam.



But, "I do not need the money," you say. Consider sending the required withdrawal directly to charity. The American Taxpayer Relief Act of 2012 (ATRA) extended the qualified charitable distribution (QCD) provisions for 2012 and 2013. This allows you to direct your RMD to a charity of your choice and that contribution may be tax deductible. A QCD is an otherwise taxable distribution from an IRA (other than an ongoing SEP or SIMPLE IRA) owned by an individual who is age 70½ or over that is paid directly from the IRA to a qualified charity. An IRA owner can exclude from gross income up to \$100,000 of a QCD made for a year, and a QCD can be used to satisfy any IRA required minimum distributions (RMDs) for the year. Also, the amount of a QCD excluded from gross income is not taken into account in determining any deduction for other charitable contributions you make during the year.