

## Fixing a Missed RMD in 5 Easy Steps

**What is a missed RMD (required minimum distribution)?** RMDs must be taken by IRA owners beginning in the year they turn age 73 and by IRA and non-spouse Roth eligible designated beneficiaries beginning in the year after the death of the account owner. Missed RMDs are subject to a penalty of 25% of the amount not taken each year. If the missed RMD is corrected in a timely manner, the penalty is further reduced to 10%. (Note that the RMD age was 70 1/2 in 2019 and earlier and 72 in 2020, 2021 and 2022.)

**When should you look for a missed RMD?** You should look for a missed RMD every year after an account owner turns age 73 and when an IRA or non-spouse Roth "eligible designated beneficiary" inherits an IRA. RMDs also apply within the 10-year rule when the account owner died on or after his required beginning date. Ask your advisor to double check any calculations to be sure they are correct.

- 1. Look at the balance sheet.** Determine the prior year-end IRA balance for the year that an RMD was not fully satisfied. (Note: RMDs were waived for 2020.)
- 2. Determine the life expectancy factor for all missed years.** IRA owners use their age each year and look up the corresponding factor on the Uniform Lifetime Table. Non-spouse IRA beneficiaries and non-spouse Roth beneficiaries who inherited in 2019 and earlier use their age only in the year after the account owner's death and look up the corresponding factor on the Single Life Expectancy Table. In each subsequent year, a beneficiary will subtract one from the previous year's factor. These same rules apply to non-spouse eligible designated beneficiaries who inherit after 2019. However, different rules apply to spouse beneficiaries.
- 3. Do some simple math.** Divide the account balance by the life expectancy factor for each missed year's RMD and withdraw that amount from the IRA.
- 4. Important forms to file.** File IRS Form 5329 for each missed RMD to report the missed distribution and penalty. The penalty can be waived for good cause. Attach a letter to the form requesting a waiver. It is helpful to include language in your letter explaining to the IRS why the distributions were missed, that the problem has been corrected and that procedures are in place to avoid future problems.
- 5. It will never happen again.** Set up procedures to ensure you take future RMDs. Many custodians offer an option to distribute RMDs automatically each year. If you struggle to remember to take your RMD, setting up an automatic distribution may be beneficial.

### A M E R I C A ' S I R A E X P E R T S

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