# Understanding Required Minimum Distributions

Traditional IRAs offer advantageous tax breaks designed to encourage people to save and invest for their own retirement. Contributions may be tax deductible (if you qualify), while earnings grow on a tax-deferred basis. However, there's a catch. The IRS requires traditional IRA owners to eventually pay taxes at ordinary income-tax rates on taxable distributions taken from their IRAs. And IRA owners *must* begin taking money out of their IRAs once they reach a certain age.

If you own a traditional IRA, the IRS requires that you begin taking required minimum distributions (RMDs) from your account no later than April 1 of the year following the year you reach age 70½. If you take your first RMD on April 1, you will be required to make another withdrawal by December 31 of the same year — for a total of two RMDs in that year. Subsequent RMDs must be taken annually by December 31.

**Deciding on an Amount**

How much will you have to withdraw from your traditional IRA to satisfy the RMD rules? You can access the IRS's website (*www.irs.gov*) for information that will help you calculate the amount you must withdraw from your account each year. The calculation uses an IRS life-expectancy-based table.

Just be careful — if you take out too little, you'll be liable for a 50% excise tax on the amount not withdrawn as required. You can always take out more than the required minimum amount. However, additional withdrawals are also taxable as ordinary income and will not count toward RMDs for future years.

**Roth IRA Owners Escape RMDs**

If you own a Roth IRA, you won't be required to take RMDs from your account during your lifetime. You can, if you choose, leave your Roth IRA to your heirs and, thus, defer income taxation to the next generation.* This flexibility is one of the features that makes a Roth IRA such an effective financial and estate planning vehicle.

* Following a Roth owner's death, however, his or her heirs will be required to take RMDs.