

What to know about required minimum distributions (RMDs) at age 70½ and older

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Once you reach your required beginning date (RBD), you will begin taking RMDs from any Traditional, SEP, and SIMPLE IRAs that you own, as well as from any qualified employer-sponsored retirement plans left at former employers. At Wells Fargo Advisors we find that clients have many questions about the RMD rules, so we created this fact sheet to provide you with answers to many frequently asked questions.

CALENDAR



• What is the RBD?

The RBD is when the IRS requires you to begin taking distributions from any Traditional, SEP, and SIMPLE IRAs as well as qualified employer-sponsored retirement plans. The RBD is generally April 1 of the year following the year you turn 70½.

• Do I have to wait until the following April 1 to begin RMDs?

No, you have the option to delay your first RMD but can take it sooner. Subsequent RMDs must be taken by December 31 of each year. You will owe ordinary income tax on the taxable portion of the distribution.

If you delay your first year's distribution until the following year, you should note that you will have two distributions taxable in the same year — your first RMD and your second RMD, which must be taken by December 31.

• When must I begin taking distributions from my former employer-sponsored plan?

The rules for when you must take RMDs from former employer sponsored plans are the same as for IRAs. The RBD is April 1 following the year you turn 70½. Subsequent RMDs must be taken by December 31 of each year.

• Since I am still working, can I delay my employer-sponsored plan RMD until I retire?

Your RMD from the plan where you are employed can be delayed, if the plan allows and you are not a 5% or more owner of the company sponsoring the plan.

• What happens if I do not satisfy my RMD?

You may be subject to a 50% IRS penalty tax on the difference between the RMD and the amount that you actually took.

• Can I take more than my RMD?

Yes. However, excess amounts taken will not offset the RMD amounts in future years.

• What are the rules regarding aggregating RMDs?

Your IRA RMDs will be calculated from the sum of all your Traditional, SEP, and SIMPLE IRAs, and you may take your distribution from whichever Traditional, SEP, and SIMPLE IRA(s) you choose.

You cannot aggregate RMDs from all of your employer-sponsored retirement plans. You have to take RMDs from each employer-sponsored plan.

You cannot satisfy your IRA RMD from your employer-plan or vice versa.

• If I purchase an immediate annuity with IRA funds, will this satisfy my RMD for all my IRAs?

No. Once you buy an immediate annuity with IRA funds, the annuity is no longer part of the IRA held here, at Wells Fargo Advisors. That immediate annuity contract is held with the insurance carrier. All payments received under the annuity contract are considered RMDs, they are not eligible for rollover, and those distributions satisfy the RMD requirement for the annuity contract only. If you have other IRAs, the applicable RMDs for these accounts would need to be calculated separately from the immediate annuity payments. However, in the year that the annuity contract was purchased, the payments you receive in that year would count toward the applicable RMD amount for that specific year.

Contact your Financial Advisor for assistance

Together we'll go far



• **How do I determine the amount of my RMD each year?**



Your RMD is calculated by dividing your account balance at the end of the previous year by the appropriate life expectancy factor from IRS Life Expectancy Tables.

Your Wells Fargo Advisors Financial Advisor can provide you with an estimate of your RMD. You should confirm any calculation with your tax advisor, since Wells Fargo Advisors does not provide tax or legal advice.

• **How do I obtain my year-end account balance to use in my calculation?**

The value of your account as reflected on your end-of-year statement(s) should be used for your calculation. It is your responsibility to verify that the value of all assets in the IRA is accurately reflected on the statement.

Your prior year-end balance may need to be adjusted for certain transactions, such as pending rollovers, transfers, or a Roth recharacterization. Your annuity held in your IRA may be subject to the Entire Interest Regulation. Consult your tax advisor to verify the values that should be used in your calculation.

• **How do I determine the life expectancy factor to use in the calculation?**

Most IRA owners and plan participants will use the *Uniform Table*, except when a spouse is the sole primary beneficiary and is more than 10 years younger (11 or more) than the IRA owner, then you will use the *Joint Life Table* that can be found in IRS Publication 590.

• **What special rules apply if my beneficiary is a non-living entity – for example, an estate, charity, or trust?**

You will use the *Uniform Table* during your lifetime.

• **Am I required to distribute cash from my account to satisfy the RMD?**

No. Cash and/or securities can be distributed from your IRA to satisfy your RMD. Remember that these assets can be transferred to your Wells Fargo Advisors investment account(s).

• **Can I continue making contributions to my IRA if I am 70½ or older?**

No, not to a Traditional IRA. If you are still working, contributions can be made to a SEP or SIMPLE IRA. Remember, Roth IRA contributions are allowed after the age of 70½ if you or your spouse, if filing jointly, have earned income and meet the modified adjusted gross income (MAGI) requirements.

• **Can I transfer or roll over my IRA or other retirement plans, now that I am 70½?**

Yes. However, you may be required to take your RMD before the transfer or rollover.

• **Can I convert to a Roth IRA once I am 70½ or older?**

Yes, but it will be necessary to take your RMD prior to the conversion. You are not able to convert your RMD.

• **How do I request a distribution from my Wells Fargo Advisors IRA?**

Contact your Financial Advisor from Wells Fargo Advisors for the appropriate distribution form. Please request your distributions at least 30 days prior to your required distribution deadline of December 31 or April 1.

Talk to Wells Fargo Advisors

Should you have additional questions, please feel free to contact your Financial Advisor.

We appreciate the opportunity you have given us to assist you in pursuing your retirement goals.



With you every step of the way

Everyone has a different vision of retirement that requires a unique financial strategy. Wells Fargo Advisors can support you in your retirement planning process by providing the guidance needed to make better, informed choices. We will meet with you and help create a comprehensive plan that takes into account your complete financial picture. Your Financial Advisor will be with you every step of the way to monitor your progress and adapt your plan as needed. Working together, we'll design and implement a retirement plan that will help you live out your unique vision of retirement.

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