COUNTRY Trust Bank®

Financial Planning Insights – Required Minimum Distributions

September 2026

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The IRS's Installment Plan on Your Retirement Account

Tax-deferred retirement accounts are a powerful tool in the quest to build retirement resources. Account owners enjoy years of tax-deferred compounding, allowing balances to grow without the constant erosion of immediate income tax consequences. Since these tax-deferred retirement accounts are legislatively designed to support retirement income needs, the point eventually comes when regulations stipulate that withdrawals must take place, resulting in tax consequences for the amounts taken out. These involuntary withdrawals are known as Required Minimum Distributions (RMDs).

RMDs are mandatory withdrawals from most tax-deferred retirement accounts such as Traditional, Rollover, SEP, and SIMPLE IRAs, as well as employer-sponsored retirement plans like 401(k)s and 403(b)s. Because these accounts are frequently funded with pre-tax dollars, withdrawals generally trigger federal—and often state—income taxes on the taxable portion of each distribution. Federal regulations dictate how much should be withdrawn, and failure to take those strict requirements each year may result in an IRS penalty of up to 25% of the amount not withdrawn. This penalty tax may be further reduced to 10% if properly addressed within the applicable correction window.

Let’s answer some common questions about RMDs.

Which accounts require distributions?

Generally, all non-Roth accounts will eventually require RMDs. That includes, but is not limited to:

IRAs
- Traditional
- Rollover
- SEP
- SIMPLE

Employer-Sponsored Plans[1]
- 401(k) or 403(b)
- Thrift Savings Plan
- 457 Deferred Comp
- SIMPLE 401(k)

1. If you’re still working after attaining your Required Beginning Date (RBD) and have assets in an employer-sponsored retirement plan at your current job, you may be able to delay taking distributions from that account until April 1 of the year after you retire if the plan allows. More than 5% owners are not eligible for the still-working exception and generally must begin RMDs by April 1 of the year following the calendar year in which they attain the applicable RBD age. Please see the following section for determining one’s RBD.

Note: Roth IRAs and, as of 2024, designated Roth accounts do not have RMDs for the original owner.

When do I need to start taking RMD withdrawals?

For IRAs, including SEP and SIMPLE IRAs, you must take your first RMD by April 1st of the year after you reach your applicable starting age. For those born between 1951-1959 that is age 73. For those born in 1960 and later it is age 75. This April 1st deadline is referred to as your Required Beginning Date (RBD). This means that your first RMD can be postponed as much as 15 months for someone with a birthday at the beginning of January. However, if you delay your first RMD until your RBD, you will be obligated to take two distributions that year. The first will have to occur by April

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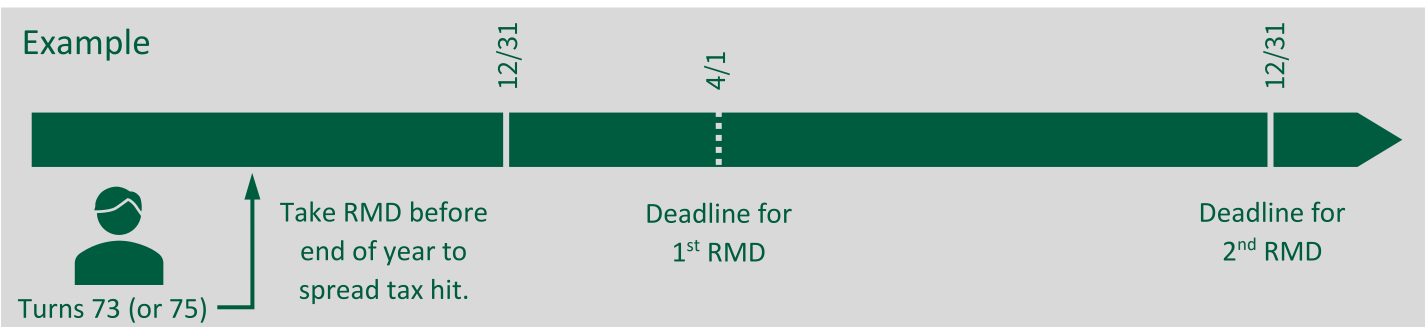
1st, with the second being required by December 31st. For all other years thereafter, RMDs must be taken by December 31st.

Since these distributions are generally included in taxable income, many IRA holders choose to take their first distribution by December 31 of the year they turn 73 (or 75 for those born after 1959). This may help ease some tax burden by spreading the taxable income associated with the RMDs over two years, rather than concentrating both the first and second RMDs in a single tax year.

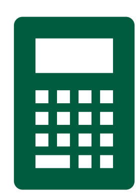
Regulations do not dictate the frequency that RMDs must be taken during the year. They can be taken in a lump sum at any point in the year or spread throughout it as long as the RMD amount is fully withdrawn by the due date. If these distributions will be used to sustain your retirement spending needs, taking systematic distributions throughout the year may make sense.



Periodic withdrawals or a lump sum? What's better?

First, there is no universally right or wrong answer to this question. Each taxpayer's circumstance should guide the approach they take to satisfying their RMDs. Many people take distributions throughout the year on a monthly basis because they're needed to help pay recurring expenses. Others may take their RMD in a single lump sum. Taking a lump sum RMD early in the year helps insulate them from forgetting to do so. Others wait until the last few weeks of the year so their investments might have more time to grow tax-deferred. Consulting with an experienced financial advisor may help shed light on which approach makes the most sense for your situation and needs.

How do I know how much my RMD will be?



The federal government applies a simple formula to calculate your RMD. It starts with dividing your end-of-year account balance for the prior year by a figure supplied by an IRS table. That figure represents an applicable distribution period, approximating a potential lifespan found on the appropriate IRS life expectancy table. That table references ages and the corresponding distribution period, with the formula using the distribution period associated with the age one will be on December 31st of each year. There are different life expectancy tables that may be used when your spouse (if married) is more than 10 years younger than you.

Recalculation is required every year. With each advancing year a new distribution period is reflected. Additionally, because account balances change you must recalculate your RMD annually.

RMD Calculation Example

Age	Applicable Denominator
72	27.4
73	26.5
74	25.5
75	24.6
76	23.7

IRS Table III Uniform Lifetime Table

December 31st
Prior Year Value
$250,000

RMD Equals

$250,000 ÷ 24.6 =

$10,162.60

It is the taxpayer's responsibility to ensure that their RMD is calculated and taken every year. Most account custodians will calculate your RMD amount and communicate that to you each year, so you may not have to calculate it yourself. By using **IRS Publication 590-B** and the RMD worksheet found in Appendix A you may also do so yourself.

When dealing with employer-sponsored plans, the employer is responsible for calculating the RMD amount associated with your dollars in their specific plan and processing the distribution.

Will RMDs have an impact on my Social Security benefits?

The answer to this question is, "it depends on what you mean by impact." RMDs themselves do not have any direct effect on your Social Security benefits. However, because RMDs are taxable in the year taken, that income could impact how much of one's Social Security benefit is subject to taxation. In some cases, the impact can be significant, depending on the details of the circumstances. It is advisable to consult with an experienced financial professional and to discuss the issue with your personal tax advisor.

How are RMDs for Inherited IRAs different?

Retirement accounts were envisioned by lawmakers as instruments to help build retirement security for their original account owners, not necessarily the beneficiaries of those accounts after the original owner's death. Consequently, IRS rules for Inherited IRAs require a very different approach to the treatment of RMDs. Rules vary depending on the beneficiary's relationship to the original account owner and whether the original account owner had already reached their RBD or not. With the SECURE Act of 2019, rules changed to require most future beneficiaries of Inherited IRAs to fully distribute those accounts within an accelerated 10-year period.

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Properly meeting the IRS expectations for Inherited IRAs can be challenging. It is recommended that you consult a financial advisor and/or a tax professional who can explain the rules that apply specifically to your situation and help you evaluate the options for complying with them.

Do I have to use my RMDs in any particular way?

While many retirees use all of their RMD income to sustain their lifestyle spending needs, accomplished savers and investors may find themselves with RMDs that exceed their personal spending needs. The government generally doesn't specify what you must do with the funds you receive, simply an amount that must be taken out annually and included in your taxable income. The exception is that account owners are prohibited from reinvesting the proceeds into another tax-deferred retirement account. Individuals with surplus distributions beyond their spending needs can do any number of things with the funds. Those could include things like:

- Reinvesting the surplus, after-tax proceeds in instruments like traditional bank deposit accounts, mutual funds, stocks, bonds, annuities, real estate, collectibles, etc. As long as the reinvestment instrument is not another tax-deferred retirement account or Roth IRA, you are free to invest the surplus however you'd like.
- Using surplus RMD funds to purchase life insurance as part of your overall legacy planning for your family.
- Helping a grandchild with work-related income to establish and fund a Roth IRA. With decades of future growth, they could have a fantastic launch towards a successful retirement many years in the future.
- Supporting organizations and causes you feel passionate about through charitable gifting of the surplus. Special tax benefits may be available for those who use the surplus they don't need to fund a **Qualified Charitable Distribution (QCD)**. QCDs may satisfy many RMD obligations without additional taxable income to you as the account owner. Qualifying charities also face no tax consequences when receiving your generous donations. Please consult with your tax advisor regarding the applicability of QCDs in your situation.

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