Required Minimum Distributions

Required minimum distributions (RMDs) are the minimum amounts that must eventually be distributed from the plan to participants and beneficiaries. Participants and beneficiaries who do not take timely RMDs from the plan will be subject to a 50% excise tax on the amount of the required minimum distribution that should have been distributed. Of course, distributions can be made in greater amounts than the minimum required by law.

In general, a participant is required to begin distributions no later than April 1 of the calendar year following the later of:

- The calendar year the participant attains age 70½ or
- The calendar year the participant retires.

A participant's RMDs are generally distributed during a participant's lifetime based upon the participant's life expectancy. If, however, the participant's spouse is the sole beneficiary and at least 10 years younger than the participant, the RMD may be calculated based on the joint life expectancies of the participant and the sole surviving spouse beneficiary.

RMD rules continue to apply after the participant's death. However, when a beneficiary must begin receiving minimum distributions depends upon whether or not he or she is the surviving spouse, whether an estate or trust is the beneficiary, or whether the deceased participant had already begun receiving minimum payments before death.

Required minimum distributions made to a beneficiary when the participant has not begun to receive minimum distributions before death:

1. If the beneficiary is the surviving spouse, there are three options:

   - **Five-Year Rule**
     The entire death benefit amount must be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

   - **Life Expectancy Rule**
     The death benefit must begin to be paid out over the spouse's life expectancy beginning by December 31 of the year following the participant's death.

     The death benefit must begin to be paid out over the spouse's life expectancy beginning by December 31 of the year in which the deceased participant would have reached age 70 ½.

2. If the beneficiary is a non-spouse, he or she has only two options:

   - **Five-Year Rule**
     The entire death benefit amount must be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

   - **Life Expectancy Rule**
     The death benefit must begin to be paid out over the non-spouse's life expectancy beginning by December 31 of the year following the participant's death.

If the beneficiary is a trust or the estate, the entire death benefit amount must generally be distributed by December 31 of the calendar year containing the fifth anniversary of the owner's death (Five-Year Rule). However, the IRS provides special rules for certain trusts where death benefit payments can be made over the life expectancies of the designated beneficiaries of the trust.

If minimum distributions had begun before the participant's death, annual distributions must continue based on the longest life expectancy (either the beneficiary's or participant's remaining life expectancy based on the age that the participant would have reached in the year that he or she died.).