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Required Minimum Distributions & Tax Strategies

Tips to minimize tax burdens in order to maximize your retirement wealth.

Once retirees reach age 73 (as per the latest SECURE Act changes), they must start taking Required Minimum Distributions (RMDs) from tax-deferred accounts such as 401(k)s and traditional IRAs. Failure to comply can result in hefty penalties. Understanding how to calculate and manage RMDs is essential to maintaining tax efficiency and financial stability.

HOW TO TAKE RMDS WITHOUT UNNECESSARY TAX BURDENS

The IRS provides a formula for RMD calculations based on life expectancy and account balances. Here is how to approach it:

- **WORK WITH YOUR ADVISOR/ CUSTODIAN:** RMDs are calculated by your Custodian using the appropriate IRS Uniform Lifetime Table and the year-end account balance.

- **PLAN FOR TAXES:** RMDs are treated as ordinary income and may push retirees into a higher tax bracket.

- **CONSIDER WITHDRAWAL TIMING:** Spreading RMDs throughout the year rather than taking a lump sum can help manage tax liabilities.

ROTH CONVERSIONS AND OTHER TAX-EFFICIENT WITHDRAWAL STRATEGIES

Retirees can mitigate the tax impact of RMDs by incorporating these strategies:

- **ROTH CONVERSIONS:** Transferring funds from a traditional IRA to a Roth IRA can reduce future RMD obligations, as Roth IRAs are not subject to RMDs.

- **TAX BRACKET MANAGEMENT:** Withdraw funds strategically to avoid bumping into a higher tax bracket.

- **DELAYING SOCIAL SECURITY:** If possible, delaying Social Security benefits allows retirees to withdraw from tax-deferred accounts earlier, reducing future RMD burdens.

CHARITABLE GIVING STRATEGIES, SUCH AS QUALIFIED CHARITABLE DISTRIBUTIONS (QCDS)

For charitably inclined retirees, QCDs offer a tax-efficient way to satisfy RMD requirements:

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"Know what you own and know why you own it."

- PETER LYNCH

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- **WHAT IS A QCD?** Retirees can donate up to $108,000 per year directly from their IRA to a qualified charity.
- **TAX BENEFITS:** QCDs satisfy RMD obligations without increasing taxable income.
- **ESTATE PLANNING CONSIDERATIONS:** Charitable donations can reduce estate taxes and leave a philanthropic legacy.

By proactively planning for RMDs, leveraging tax-efficient strategies, and exploring charitable giving, retirees can minimize tax burdens and maximize their retirement wealth.

OUR OFFICES WILL BE CLOSED ON MONDAY, FEBRUARY 17TH IN OBSERVANCE OF PRESIDENT'S DAY.