

Know Your RMD Rules for IRAs in 2021

Submitted by Chase Mouchet on 04/29/2021 - 02:58



Chase Mouchet, CFP®, CIMA® [1] | Wealth Advisor

Since late 2019, two significant pieces of legislation have changed some of the rules for required minimum distributions (RMDs) for retirees and other IRA beneficiaries. If RMDs impact you, keep these key rules top of mind for 2021.

RMDs are back in for 2021. The CARES Act passed in March 2020 temporarily suspended all RMDs in 2020, but that provision was only effective through the end of 2020. Normal RMD requirements resumed in January 2021.

For anyone born after June 30, 1949, RMDs now begin at age 72. Previously, the start age for RMDs was 70 ½ but Congress pushed back the requirement to the year in which someone turns 72. This rule change was part of the SECURE Act which became law in late 2019. (Technically, an account holder has until April 1 of the year following the year they turn age 72 to take their first RMD, but this would result in having to take two RMDs in that same calendar year. This timing usually isn't best from a tax perspective.)

The rules for inherited IRA RMDs have changed for non-spouse beneficiaries, such as children. The SECURE Act changed the timeframe in which non-spouse beneficiaries must distribute funds from inherited IRAs. Previously, beneficiaries could stretch their distributions

over their lifetimes based on IRS life expectancy tables. However, IRAs inherited on or after January 1, 2020, for these beneficiaries will require a full payout by the end of 10 years. The first 9 years do not have an annual RMD requirement. There are some exceptions to this rule, but this is the new reality for distributions for most beneficiaries.

Qualified Charitable Distributions (QCDs) remain a strategy for charitable giving. For people age 70 ½ or older, they are allowed to donate up to \$100,000 annually from an IRA to 501(c)(3) organizations. These payments will count toward the RMD total, but they must be made from the IRA directly to the charitable organization. The donated amount does not get included as an itemized deduction for tax purposes, but the good news is that the distribution does not get recognized as income which can be beneficial in aspects such as Medicare premium surcharges. QCDs can be an especially appealing strategy for those who are taking the standard deduction.

Continue reading ? [2]

Source URL: <https://www.brightworth.com/content/know-your-rmd-rules-iras-2021>

Links

[1] <https://www.brightworth.com/team/cmouchet>

[2] <https://www.brightworth.com/content/know-your-rmd-rules-iras-2021>