



A University of Hawai'i Cooperative Extension Service Project

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Course Objectives



- Increase your knowledge about financial planning
- Improve your ability to make informed decisions



Retirement Plan Distributions

Presenter



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Learning Objectives



- Understand the different types of retirement plan distributions
- Understand the tax consequences of a distribution

ROTH IRA Qualified Distributions



- Qualified Distributions = Tax and penalty free
- Must occur five years after the Roth IRA owner established and funded his/her first Roth IRA

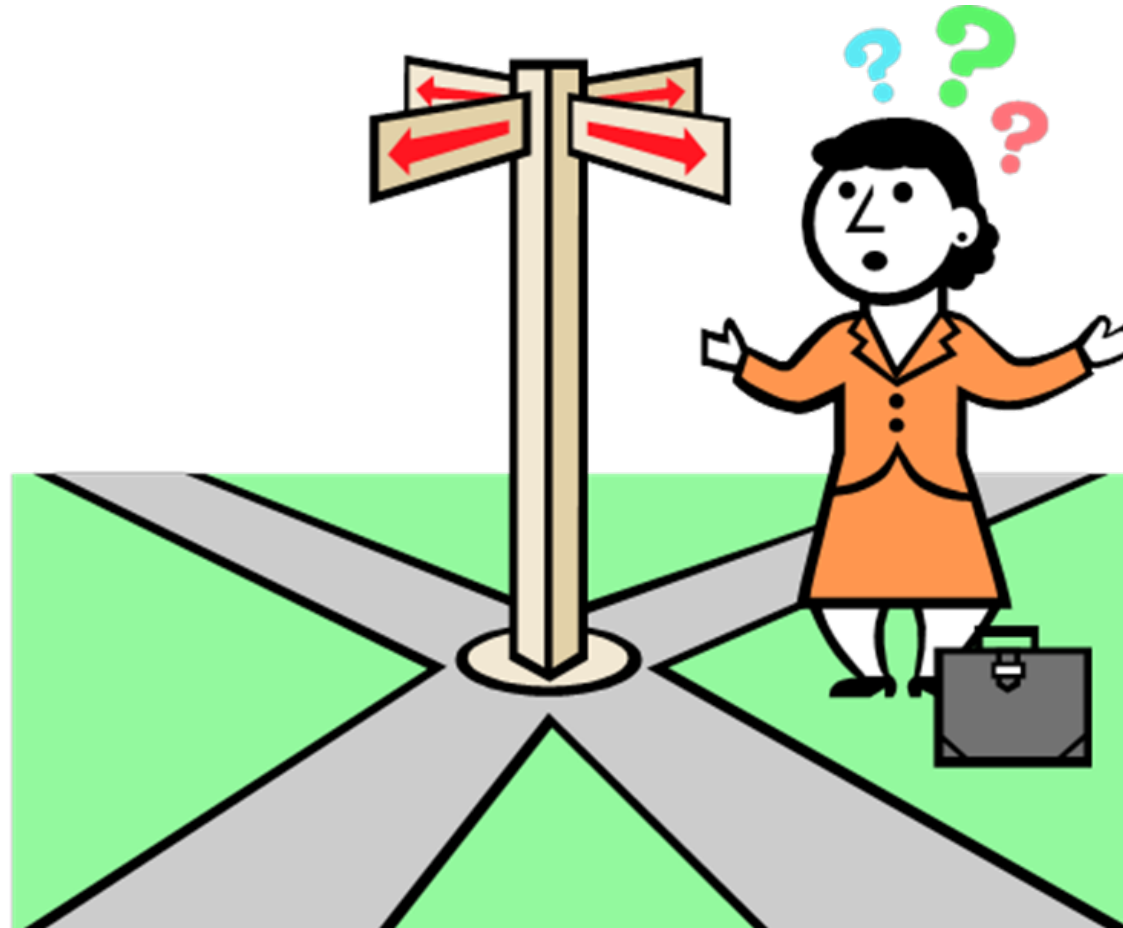
ROTH IRA Qualified Distributions



The Roth IRA holder is under age 59½ and you have your ROTH for 5 years if you are:

- Disabled
- The beneficiary inheriting the ROTH
- Using up to \$10,000 towards the purchase or building of a first home for the Roth IRA holder or a qualified family member

Qualified Retirement Plan Distributions



Your Choices



- Take the cash, pay the taxes owed and spend it or invest in a taxable account
- Take the cash and invest in an Indirect Rollover IRA
- Direct Rollover IRA

Choice #1



Take the Cash and Spend it or
Put it into a Taxable account

- 20% withholding
- Immediately Taxable
- Possible 10% penalty



Choice #2



Take the cash and do an indirect rollover to an IRA

- 20% withholding
- Temporary possession of the money
- 60 day window



Choice #3



Direct Rollover IRA

- No 20% withholding
- No 10% tax penalty
- No current taxation



Important Ages



- 59 ½
 - Certain Exceptions apply
- 70 ½
 - Qualified Plan
 - IRA



Types of IRA Distributions

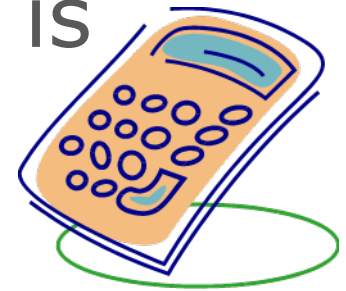


- 72 (t) Distributions
- Required Minimum Distributions (RMD)

What are 72(t) Distributions



- Substantially equal payments made on a regular basis
- Calculated according to IRS-approved method
- Taken for a least five years or until age 59½, whichever is longer



RMD: Traditional IRA



Traditional IRA

- You must take your first RMD by April 1 of the year following the year in which you turn 70½, regardless of whether you are still employed

RMD: Roth IRA



Roth IRA

- No required distributions at any age — only required after death of IRA owner

RMD: Defined Contribution



Defined Contribution Plans

- April 1 of the year following the later of the year you turn 70½ or the year you retire (if allowed by your plan)
- If you are a 5% owner, you must start RMDs by April 1 of the year following the year you turn 70½

RMD Example



- You are born July 1, 1943
- Your 70th birthday was July 1, 2013
- You will be 70½ on January 1, 2014
- You do not have to take an RMD for 2014 (since this is your first year)
- You must take your first RMD (for 2014) by April 1, 2015
- If you delay your first RMD you will have to take two RMDs in 2015 (2014 RMD & 2015 RMD)

Uniform Lifetime Table

2015



**Table III
(Uniform Lifetime)
(For Use by Owners)**

Age	Distribution Period	Age	Distribution Period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and over	1.9

RMD Example



- 2014 RMD
 - 12/31/2013 balance \$250,000 / 26.5 = \$9,433.96
- 2015 RMD
 - 12/31/2014 balance \$255,000 / 25.6 = \$9,960.94
- Delaying First Year Distribution
 - 2014 RMD + 2015 RMD
 - \$9,433.96 + \$9,960.94 = \$19,394.90

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Credits



We would like to thank the following groups for their support:

- University of Hawai'i at Mānoa
 - College of Tropical Agriculture & Human Resources, Cooperative Extension Service, Department of Family & Consumer Sciences
 - Information Technology Services-Academic Technologies
- Central Pacific Bank