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
• Qualified Distributions = Tax and penalty free
• Must occur five years after the Roth IRA owner established and funded his/her first Roth IRA
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 at least five years or until age 59½, whichever is longer
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.
Roth IRA

- No required distributions at any age — only required after death of IRA owner
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
- 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 your delay your first RMD you will have to take two RMDs in 2015 (2014 RMD & 2015 RMD)
### Table III
(Uniform Lifetime)
(For Use by Owners)

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• 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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- Central Pacific Bank