



## The Simplified IRA Distribution Rules

When you reach a certain age, usually April 1 after you become age 70 ½, Uncle Sam says you must start taking money out of your IRA. This is called your required beginning date. The amount you must withdraw each year is called your required minimum distribution. Calculating this amount is much easier now that it used to be.

Each year you take the year-end value of your IRA account and divide it by a life expectancy divisor from the Uniform Lifetime Table. (The entire table is shown below.) The result is the minimum you must take out for that year. You can take out more if you wish, but this is the minimum you are required to withdraw.

For example, the divisor at age 70 is 27.4. Let's say your year-end account balance is \$100,000. You divide \$100,000 by 27.4, and that's your required minimum distribution for that year. (The answer is \$3,650.)

Notice that the divisor gets smaller each year, but it never goes to zero. Even at age 115 and older, the divisor is 1.9. "To recalculate or not to recalculate" is no longer an issue. Everyone now gets the benefit of recalculating his/her life expectancy.

Practically every IRA owner now uses this table to calculate your distributions, even if you don't have a beneficiary. However, if you are more than ten years older than your spouse, you can use a different table that will make your distributions smaller.

The big attraction of having an IRA, of course, is the tax-deferred growth; you don't pay income tax on this money until you take it out of your IRA. So, if you don't use all the money in your IRA before you die, you'd probably like to let it continue to grow tax-deferred for as long as possible. Naming the right beneficiary is still critical to getting the most tax-deferred growth on your IRA...and these simplified rules make it much easier to do that.

- First, while you are living, the required minimum distributions are based on your life expectancy (the divisors from the table below). Your beneficiary has no effect on your distributions while you are living.

- Second, after you die, the distributions will be based on your beneficiary's life expectancy. If you haven't named a beneficiary by the time you die, the remaining distributions will be determined by using your age at the time of your death.
- Third, you can change your beneficiary at any time and that beneficiary's life expectancy will be used after you die. You are no longer locked into using the life expectancy of the beneficiary you named when you started taking your distributions. So if you are already taking distributions and have wanted to change your beneficiary to a younger one in order to get more tax-deferred growth after you die, you can do that.
- Fourth, your final beneficiaries do not have to be determined until September 30 of the year after you die, which allows for greater flexibility and "cleanup" (known in estate planning circles as "post-mortem planning"). For example, your spouse could disclaim some benefits so a grandchild could inherit. Since no new beneficiaries can be added after you die (unless your spouse does a rollover), it is very important to name both primary and contingent beneficiaries (or use a trust, discussed below).
- Fifth, a nonspouse beneficiary can now also inherit a tax-deferred plan and roll it into an IRA to continue the tax-deferred growth over his/her lifetime. (This is not the same as a spousal rollover; only a spouse can name additional beneficiaries for maximum stretch out.)
- Finally, you can protect your family even more with a Standalone Retirement Trust (SRT). Your beneficiaries will get more tax-deferred growth and receive robust protection against irresponsible spending, creditors, and predators.

Even with these simplified rules, it is still easy to make a costly mistake. Because there is often a lot of money at risk, make sure you get some expert advice before changing your beneficiaries.

Age	Divisor	Age	Divisor
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 or older	1.9

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