

MFS Heritage Planning®

Helping Yourself. Helping Your Parents. Helping Your Children.®

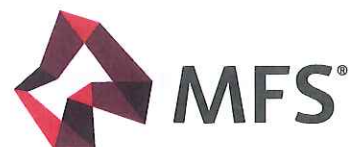
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RETIREMENT



Use the IRS Uniform Lifetime Table to calculate your RMD

Age of retiree	Distribution factor
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7
81	17.9
82	17.1
83	16.3
84	15.5
85	14.8
86	14.1
87	13.4
88	12.7
89	12.0
90	11.4
91	10.8
92	10.2
93	9.6
94	9.1
95	8.6
96	8.1
97	7.6
98	7.1
99	6.7
100	6.3

Source: irs.gov.

This material should be used as helpful hints only. Each person's situation is different. You should consult your investment professional or other relevant professional before making any decisions.

UNDERSTANDING REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

When you reach age 70½, you must begin to draw funds from your traditional individual retirement accounts (IRAs) and qualified plans such as 401(k)s.¹

If you have other sources of income to support you in retirement, it may make sense to take just the minimum required amount from your IRAs so more of your retirement money continues to be invested tax deferred on your behalf. Taking an amount in excess of what is required or needed may waste a valuable tax-deferral opportunity. For those entering the distribution phase of retirement investing, it is important to have a solid distribution strategy in place.

How do you calculate RMDs?

To calculate your RMD for the current year, divide your year-end retirement account value for the previous year by the appropriate factor from the IRS Uniform Lifetime Table (on the left).

If you made a rollover out of an IRA at year-end, you should consult your tax advisor about whether you need to include the amount rolled out of the IRA in that IRA's year-end value.

The Uniform Lifetime Table assumes a life expectancy based on the owner's age and an assumed beneficiary who is 10 years younger. The Joint Life and Last Survivor Expectancy table is used if your spouse is your sole beneficiary and is more than 10 years younger than you. You can find the Joint Life Table in IRS publication 590.

The calculation formula

The formula for calculating your RMD is as follows:

$$\frac{\text{End-of-year account value}}{\text{Uniform Lifetime Table factor}} = \text{RMD}$$

¹ Participants in "qualified" employer-sponsored plans, such as 401(k) plans, may generally defer distributions from those plans until April 1 of the year following the one in which they retire, as long as they are not owners of 5% of the sponsoring company.

Key points

- The designated beneficiary may be changed even after distributions to the owner have begun.
- The beneficiary has no impact on the RMD for the owner, unless the beneficiary is the spouse and is more than 10 years younger than the owner.
- In most cases, RMDs for individual beneficiaries are now governed by each beneficiary's own single life expectancy.

Multiple IRAs

If you have more than one traditional IRA, you must determine a separate required distribution for each IRA because different distribution factors may apply in some cases. However, you can total these minimum amounts and take the total from any one or more of the IRAs.

Employer plans

The RMD rules for employer plans are different from the rules for IRAs. One significant difference is that you cannot aggregate your RMDs from multiple employer plans. Your RMD from each plan must be separately calculated and withdrawn. The second significant difference is that you do not have to take an RMD from your current employer's plan until you actually retire, as long as you don't own 5% or more of the company.

Additional RMD start date information

If you choose to wait until April 1 of the year following the year you turn 70½ to receive your first distribution, you will need to take a second distribution by December 31 of the same year. All subsequent distributions must be taken by December 31 each year.

If an IRA owner dies after turning 70½ but before the distribution for the year of death has been made, the distribution must be made to the beneficiary in the year of death.

RMDs at a glance

Plan type	RMD factor	RMD start date	Aggregation allowed
IRA	Uniform Lifetime or Joint Life and Last Survivor Expectancy table	Age 70½	Yes — with other IRAs only
Inherited IRA*	Single Life Expectancy table	12/31 of the year following the date of death	Yes — with other IRAs inherited from the same person
Roth IRA	No RMD required	None	N/A
Inherited Roth IRA*	Single Life Expectancy table	12/31 of the year following the date of death	Yes — with other Roth IRAs inherited from the same person
403(b)	Uniform Lifetime or Joint Life and Last Survivor Expectancy table	Age 70½ or year of retirement, if later **	Yes — with other 403(b) accounts of the same employer
401(k) or other qualified plans	Uniform Lifetime or Joint Life and Last Survivor Expectancy table	Age 70½ or year of retirement, if later	No
Roth 401(k), 457b, 403(b)	Uniform Lifetime or Joint Life and Last Survivor Expectancy table	Age 70½ or year of retirement, if later	No — 401(k), 457b Yes — 403(b)

* If you inherit a retirement account from your spouse, you may elect to treat the account as your own. If you make that election, that account would no longer be treated as an inherited account. Special rules apply if a trust, estate or other nonhuman entity inherits a retirement account. Please consult a qualified tax advisor.

** Special rules apply to amounts accrued in a 403(b) plan prior to 1987.

Beneficiary RMDs

Spouse beneficiaries have a choice of whether to roll the assets into their own IRA immediately, to roll later or to leave the assets in a beneficiary IRA and take RMDs from the account when required. The decision may take into account the beneficiary's age and need for access to the assets. Before making a decision, the beneficiary should consult with his or her financial advisor and tax advisor. Keep in mind that there are advantages and disadvantages to an IRA rollover depending on the investment options, services, fees and expenses, withdrawal options, required minimum distributions, tax treatment and your unique financial needs and retirement goals.

Spouse beneficiaries younger than age 59½ who need or want access to IRA assets may avoid early distribution tax penalties by maintaining the IRA as a beneficiary IRA, from which withdrawals are not subject to penalty.

Nonspouse beneficiaries are not permitted to roll inherited IRA assets to their own IRA but can leave inherited IRA assets in a beneficiary IRA. While they are required to take annual RMDs from a beneficiary IRA, the remaining assets can continue to potentially grow tax deferred.

Unless otherwise provided in the IRA document, the five-year rule (that all assets must be distributed within five years) generally applies if there is no designated beneficiary or if the beneficiary is a trust, charity or estate (shelters with no life expectancy) and the owner dies before the required beginning date.

Consolidating IRAs

Why consolidate to a single IRA? Many retirees have assets in a variety of accounts. Consolidating assets in a single IRA may reduce the chance of a calculation error. The penalty for taking out less than your full RMD is 50% of the amount that was required to have been taken but wasn't. For example, if you took an RMD that was short by \$1,000 it could result in a \$500 penalty. In addition, consolidating to a single IRA may

- simplify asset allocation and rebalancing
- simplify tax reporting
- simplify beneficiary review and management
- reduce fees

RMD planning opportunities

RMDs can present planning opportunities for individuals who do not have need for all of the assets.

- 529 college savings accounts for younger family members
- Stretch IRAs with potential to create a three-generation legacy
- charitable-giving options

Resources

IRS Publication 590, *Individual Retirement Arrangements*

www.irs.gov

Ask your advisor for the following MFS® publications:

- "Top IRA Planning Mistakes" infosheet
- "Ready, Set, Retire" brochure

The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, please consult a financial advisor.

Contact your financial advisor for more information or visit mfs.com.

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