



8 Important Things You Should Know About RMDs

Once you turn age 73, you will need to take required minimum distributions (RMDs) from most retirement accounts, whether you need the money or not.

KEY INSIGHTS

- For individual retirement accounts (IRAs), you must take your first RMD by April 1 of the year after you turn age 73, regardless of whether you are retired. For each year after turning age 73, you must take an RMD by December 31.
- If you have multiple IRAs, you must calculate the appropriate RMD for each one. The total amount can be taken from one or more IRAs to satisfy the distribution—as long as the total RMD amount is withdrawn.
- If you have multiple prior employer-sponsored retirement accounts (such as 401(k)s), you will have to contact your prior employer to calculate the RMD and send you a distribution.
- Once the RMD is distributed, you don't have to spend it, but it cannot remain in a tax-deferred account.



Judith Ward, CFP®
Thought Leadership Director

Generally, beginning at age 73, retirement account holders are required to take [RMDs](#) from their tax-deferred retirement accounts. These include [Traditional](#), [Rollover](#), [SEP](#), and [SIMPLE](#) IRAs and employer-sponsored retirement plans. You must pay federal, and sometimes state, income taxes on the taxable amounts of these distributions.

RMDs aren't optional. If you don't take your RMD, or take out too little, you may face an IRS penalty tax of 25% of the amount not distributed.*

Below are responses to eight commonly asked questions about RMDs:

1. When Do I Need to Take My RMD?

For IRAs, you must take your **first** RMD by April 1 of the year after you turn age 73, regardless of whether you are retired. This is referred to as your required beginning date (RBD). Your second RMD must be taken by December 31 of that same year. And each year thereafter, you must take your RMD by December 31.

The distribution can be taken in a lump sum or spread throughout the year as long as the RMD amount is distributed by the due date. Many IRA holders who spend their RMDs prefer to take monthly distributions.

These distributions are generally included in your taxable income. For this reason,

*Penalty tax may be further reduced to 10% if corrected within 2 years.

many IRA holders choose to take their first distribution by December 31 of the year they turn age 73.

FIRST IRA RMD EXAMPLE:

Mary turns age 73 in September 2024. She can take her first RMD (based on December 31, 2023, IRA balances) by December 31, 2024, and include the taxable amount in her 2024 income. Or Mary can wait until April 1, 2025, to take her first RMD. Her second RMD (based on December 31, 2024, IRA balances) needs to be taken by December 31, 2025. In this example, if Mary takes the two distributions in 2025, both distributions may be included in her taxable income for 2025.

Required beginning dates for RMDs from an employer-sponsored retirement plan vary depending on plan rules. You might not be required to take your first RMD until the later of April 1 of the year after you reach age 73 or the year you retire from work with that employer. Please note that you must take each RMD for an employer-sponsored plan from that plan. You may not take the amount from an IRA.

2. Which Accounts Require Distributions?

The most commonly affected accounts that require RMDs include:

IRAs	Employer-Sponsored Retirement Plans ¹
Traditional	401(k)
Rollover	403(b)
SEP	Governmental section 457 deferred compensation
SIMPLE	SIMPLE 401(k)

¹If you're still working at age 73 and have assets in an employer-sponsored retirement plan at your current job, you may be able to delay taking distributions from that account until April 1 of the year after you retire if the plan allows.

Note: Roth IRAs and, beginning in 2024, designated Roth accounts do not RMDs for the original owner.

3. How Do I Calculate My RMD?

You need to calculate your RMD each year because it is based on your current age and account balance at the prior year-end.

For IRAs, the account owner is responsible for calculating and taking RMDs. To help with this, you can use [IRS Publication 590-B](#) and reference Appendix A: Worksheet for Determining RMDs. Many financial institutions can help you with this process—or have tools to help. (Also, see the “Simplify Your RMDs” sidebar.)

The employer is responsible for determining the RMD amount from plans (e.g., 401(k)s) and distributing the RMD.

4. I Have Multiple IRAs. How Many RMDs Do I Need to Take?

If you have multiple IRAs, you must calculate the appropriate RMD for each one. However, the total distribution amount can be taken from one or more IRAs to satisfy the distribution as long as the total RMD amount is withdrawn. If you have three IRAs, for example, you can take the entire RMD amount from just one account.

The [403\(b\)](#) plan rules mirror IRA rules in that the total distribution from multiple 403(b) plans can be taken from one or more of the 403(b) accounts.

It's different with 401(k) accounts. If you have multiple 401(k) accounts from prior jobs, each plan will calculate the RMD and send a distribution.

Before turning age 73 is a great time to review your retirement account structure and consolidate the number of accounts when possible.

TIP:

While you're formulating a plan to take your RMDs, it's a good time to review the beneficiary designations on all your retirement accounts as well.

5. Should I Take My RMD in a Lump Sum or as an Installment?

Many investors may choose to take their RMD amount throughout the year on a monthly basis, for example, if using the funds to help pay expenses. Others may prefer taking their RMD all at once, early in the year, to ensure that it's taken care of, while others prefer to wait until later in the year to give their investments more time to grow tax-deferred. There is no right or wrong answer. The choice is a personal one and depends on what may be best for your household.

6. Do RMDs Affect Social Security?

If you are taking RMDs and collecting Social Security benefits, the RMDs will not impact the amount of your benefits—but it could impact how much of your Social Security benefit is taxable. The amount your Social Security is taxed depends on your annual income. RMDs may increase your taxable income. Consider consulting with a financial professional if this is a concern for you. You can also find the IRS's Social Security tax rules [here](#).

7. What Are the RMD Rules for an Inherited IRA?

The rules surrounding inherited [IRA](#) distributions are a bit complex and vary depending on the beneficiary's relationship to the original account owner and whether the account owner was taking RMDs.

[The SECURE Act of 2019](#) changed inherited IRA distribution rules for many non-spouse beneficiaries, subjecting them to a 10-year rule.

If you have inherited an IRA, it's important to consult your financial advisor and/or a tax professional who can tell you if RMD rules apply to you and then help you make the smartest decision based on your situation.

8. What If I Don't Need to Spend My RMD Assets?

Once the RMD is distributed, you don't have to spend it if you don't need to, but it cannot remain in the tax-deferred retirement account. If you don't wish to spend the distribution, you can:

- Reinvest the money in a [taxable general investing account](#), add it to your rainy day fund, or invest for the longer term.
- Be charitable. Consider a [qualified charitable distribution \(QCD\)](#). Generally, you can distribute up to \$100,000 (indexed) directly from a Traditional IRA to qualified charities each year. QCDs can count toward your RMD and won't be included in your taxable income.
- Invest in your grandchild's future by using the funds to contribute to a [529 college savings plan](#) or add to one that has already been established.
- Help fund a [Roth IRA](#). A Roth IRA may be a great way to instill the value of investing for a grandchild with earned income. The contribution limit for a Roth IRA in 2024 is the lesser of \$7,000 or your grandchild's total compensation for the year. (The deadline to make a 2023 contribution is April 15, 2024, with a \$6,500 limit.) If the grandchild is a minor, consider a custodial Roth IRA.



SIMPLIFY YOUR RMDs.

It's easy to set up and manage your RMDs online with our digital RMD tools.

As a valued client, once you reach the age that you must start taking RMDs from your eligible T. Rowe Price retirement accounts, you'll receive access to log in and take advantage of these helpful tools.

Enhanced RMD Dashboard:

Find all the information you need to stay informed about your RMDs, including your total and remaining RMD amount for the year and a clear view of your RMD status—helping you see if you're on or off track at a glance.

Auto-RMD Tool:

Automate the distributions of your RMDs from your Traditional and Rollover IRAs. Easily customize the dates, frequency, and details of your distributions.

Learn more about RMDs and understand your obligations at troweprice.com/RMD.

INVEST WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term. To learn more, please visit troweprice.com.

T.RowePrice®

Important Information

This material has been prepared by T. Rowe Price for general and educational purposes only. This material does not provide fiduciary recommendations concerning investments, nor is it intended to serve as the primary basis for investment decision-making. T. Rowe Price, its affiliates, and its associates do not provide legal or tax advice. Any tax-related discussion contained in this material, including any attachments/links, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or tax professional regarding any legal or tax issues raised in this material.

All investments involve risk, including possible loss of principal.

© 2024 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc. All other trademarks are the property of their respective owners.

T. Rowe Price Investment Services, Inc.