

Tax Special Report

IRA required minimum distributions (RMD)

Your guide to meeting the IRS requirements

Effective January 1, 2020, the “Setting Every Community Up for Retirement Enhancement” (SECURE) Act of 2019 modified the date you are generally required to begin taking annual required minimum distributions (RMD) from your IRA accounts (not Roth IRAs) to the year you turn 72. If you turned 70 ½ prior to January 1, 2020, you are still required to take your annual RMD. If you turn 70 ½ on or after January 1, 2020, you are not required to take an RMD until the year in which you turn 72. Failing to take an RMD may result in penalty taxes on the amount that should have been withdrawn.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act waived the requirement for any RMD that was required to be paid in 2020. If you reach age 72 in the year 2021, you must take your 2021 RMD by April 1, 2022. All subsequent RMDs are due by December 31 for each year thereafter. This information is as of December 1, 2020. These rules are subject to change pending any future regulations that may be passed. You are encouraged to consult your legal or tax advisor for specific information regarding your situation.

The IRS requires us to report account numbers for which RMD is required (not the dollar amount). We will report that your account is eligible for a 2021 RMD on a 2020 Form 5498, IRA Contribution Information.

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RMD CALCULATION BASICS

Very basically, an RMD equals the value of each of your IRA holdings (as of the previous December 31) divided by your distribution period. As you get older, the distribution period decreases.

For example:

Bill will be 72 years old in 2021. His Traditional IRA account balance is \$100,000 as of December 31, 2020. According to the life expectancy table, Bill's distribution period is 25.6. So, \$100,000 divided by 25.6 (distribution period) equals \$3,906.25 (Bill's required minimum distribution).

CALCULATION EXAMPLES

DEC. 31 ACCOUNT BALANCE	AGE	DISTRIBUTION PERIOD	DISTRIBUTION AMOUNT
\$100,000	72	25.6	\$3,906.25
\$100,000	73	24.7	\$4,048.58

The above chart is shown for illustrative purposes only.

3 STEPS TO CALCULATING YOUR IRA RMD

1. Enter the year-end balance of your Traditional IRA in the RMD worksheet below.

This balance must be as of December 31st of the prior year.

2. Find the distribution period that corresponds to your age as of your birthday in the year for which the distribution is being made. Please see the Uniform Life Expectancy table to the right.

Exception: If your sole designated beneficiary is your spouse and is more than 10 years younger than you, you'll need to use the Joint Life and Last Survivor Expectancy Table (Table II) found in IRS Publication 590-B, Appendix B. You can view or print this form and table from the IRS Web site at www.irs.gov.

3. Subtract any Traditional IRA withdrawals already taken for the current year. This gives you the amount you still need to withdraw to fulfill your RMD requirement for the year.

RMD worksheet

Your Traditional IRA balance	\$ _____
Divided by the distribution period (see table to the right)	÷ _____
RMD for the year	= \$ _____
Total Traditional IRA withdrawals for the current year	- \$ _____
REMAINING RMD	= \$ _____

The above worksheet is shown for illustrative purposes only.

UNIFORM LIFE EXPECTANCY TABLE

ACCOUNT HOLDER'S AGE	DISTRIBUTION PERIOD
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 Web site www.irs.gov

*If you are over age 100, consult Table III in IRS Publication 590-B, Appendix B. You can view or print this form from the IRS Web site at www.irs.gov.

RMD QUESTIONS AND ANSWERS

What if I have more than one IRA?

You must consider the total value of all of your Traditional IRAs when determining your RMD. You can take the RMD from one of your Traditional IRAs or any other Traditional IRA (or even split your distribution between them). However, you must calculate your RMD for each of your Traditional IRA accounts separately as of December 31 of the prior year. Then, total those amounts for your total RMD. Balances in other tax-qualified retirement accounts such as SIMPLE IRAs, SEP IRAs, 401(k) and 403(b) plans must be considered separately as well as balances of IRA accounts for which you are the beneficial owner.

Does my choice of beneficiary affect my RMD?

For the vast majority of people, no, and you can name your beneficiary at any time. However, there is one exception. If your only named primary beneficiary is also your legal spouse and more than 10 years younger than you, you must use the Joint Life and Last Survivor Expectancy Table (Table II) instead of the Uniform Life Expectancy Table. (See IRS Publication 590-B, Appendix B for more detailed information.) In general, IRA holders using this table will have a smaller RMD than those using the Uniform Life Expectancy Table.

Can I take out more than my calculated RMD?

Yes. You can always withdraw more than the required minimum distribution. (Note: There may be a deferred sales charge depending on share class.) Please speak with your financial advisor to review your investment objectives and discuss the various distribution alternatives.

To obtain a new prospectus on our mutual funds, please ask your financial advisor or simply call 1-800-480-4111. You also can choose to receive distributions in systematic payments monthly, quarterly or annually, or you can choose to take one lump-sum distribution from all funds held in your Traditional IRA.

NEED HELP?

Please call Investor Services at 1-800-480-4111 if you have any questions or would like us to calculate your RMD for you. Please understand that J.P. Morgan Asset Management and its affiliates do not provide tax advice. Please consult your tax advisor for this type of assistance.

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