



Make smarter withdrawals.

Understand how and when to take required minimum distributions from your IRA.

What are required minimum distributions?

To encourage retirement saving, the IRS grants IRAs certain tax advantages. However, to ensure you don't defer paying taxes on retirement savings indefinitely, the IRS mandates that you take an annual withdrawal from your Traditional IRA known as a required minimum distribution (or "RMD") if you:

- Are turning age 70½ this year, or
- Recently inherited the IRA

When you take your RMD, it will then be subject to ordinary income taxes. If you don't take a distribution, the amount you should have taken will incur a 50% penalty in addition to income taxes. (Please note that RMDs do not apply to Roth IRAs.)

For original IRA owners:

If you are the original IRA owner, you must begin withdrawing your assets by December 31 of each calendar year, beginning with the year you reach age 70½. However, for the first year, you have until April 1 of the year following the year in which you reach age 70½ to take your distribution. If you decide to wait, then you will need to take two RMDs within this calendar year: one for the year you turned age 70½ and another for the next calendar year.

How do I calculate my RMD?

The IRS has developed tables to help you determine the amount of your RMD. As the original IRA owner, you would use either the Uniform Lifetime table or the Joint Life and Last Survivor Expectancy table. If you use the Uniform Lifetime table (shown on right), your age is the basis of your calculation. Simply divide your IRA balance (as of December 31 of the previous year) by the distribution period on the table. For example, if you turn 71 this year and your IRA balance is \$50,000, your RMD would be \$1,886.79 (\$50,000 divided by 26.5).

However, if the sole beneficiary to your account is your spouse and he or she is more than 10 years younger than you, you may choose to use the Joint Life and Last Survivor Expectancy table. By doing so, you will receive smaller distributions, which may help make your savings last longer. To view this table, visit www.irs.gov.

UNIFORM LIFETIME

Client age	Distribution period
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
101	5.9
102	5.5
103	5.2
104	4.9
105	4.5
106	4.2
107	3.9
108	3.7
109	3.4
110	3.1
111	2.9
112	2.6
113	2.4
114	2.1
115+	1.9

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For IRA beneficiaries:

If you inherit an IRA, then the rules regarding how you must take your RMDs will vary depending upon whether the original IRA owner had already begun withdrawing RMDs. Also, if you are the spouse of the original IRA owner, special procedures apply.

If RMDs have already started then you must begin withdrawing your own RMDs from the inherited IRA by December 31 of the year following the year in which the original IRA owner died. To calculate your RMD amount, divide the account balance as of the preceding December 31 by your own life expectancy (determined by the Single Life Expectancy table available at www.irs.gov). Every subsequent year you must take a distribution. To determine the amount, repeat the same calculation but divide by the prior year's life expectancy minus one.

If RMDs have not started then you have two options. You may follow the procedure detailed above, or you can withdraw the entire account on or before the end of the calendar year containing the fifth anniversary of the IRA owner's death. If you choose the second option, you wouldn't have to take any distributions until the fifth year.

If you are the spouse of the original IRA owner and you are the sole beneficiary, then you can postpone your RMDs until your spouse would have reached age 70½. Or, you can treat the IRA as your own and begin taking RMDs when you reach age 70½. In this case, you would follow the procedures detailed in the "For original IRA owners" section.

Special rules apply in certain circumstances and in regard to certain types of beneficiaries. Also, other rules apply if the IRA beneficiary is dead or if there are multiple beneficiaries.

This information is not meant as tax or legal advice. You should consult with the appropriate professional advisor regarding your particular circumstances.

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QUESTIONS?

If you have questions, a retirement specialist can help. Call 1-877-200-9107 between 8:30 a.m. and 5:00 p.m. Eastern Time, Monday through Friday. Or visit: mercerverwealthsolutions.com.