

# **Required Minimum Distributions Explained: Key Moves Before Year-End**

Speakers: Eric Fuhrman, (Guest Host) Kelsey Girafalco (Guest)

ERIC:

Hello Everyone, Welcome to the Patti Brennan Show. Whether you have \$20, or \$200 million, this show is for those of you who want to protect and grow your wealth so you can live your very best life.

Folks, today we have a really great and timely episode as we're here in the month of December. We're talking about RMDs — Required Minimum Distributions — or as my dad calls them, MRDs. These are distributions that must come out of your retirement account if you are a certain age before December 31.

If you don't take your RMD, there is a 25% penalty on the undistributed amount that the IRS will levy. It also adds to your taxable income, so you need to properly calibrate the impact and taxes withheld to avoid a nasty surprise come April. And lastly, for those charitably inclined, the RMD presents a fantastic opportunity for charitable and tax benefits, and even for reducing Medicare IRMAA surcharges.

I'm super excited today to welcome one of our own — Kelsey Girafalco from our Planning Department. She is absolutely fantastic and I'm so excited to have her on the show.

KELSEY:

Thank you! I'm excited to be here.

ERIC:

So, Kelsey, you have so much practical experience working with clients over the years. What stands out to you when helping people think about Required Minimum Distributions?

KELSEY:

One of the first things we look at is a client's cash-flow needs. They have to take the income, but they may not necessarily need the income. We take that into consideration before they begin their RMDs, and we talk through whether they want distributions monthly, annually, or quarterly — whatever best fits their needs.

ERIC:

Exactly — it's very tailored. Every person's situation is different.

Let's break it down for our listeners. An RMD is essentially the point where the government says, "It's time to start withdrawing and paying taxes." When you saved into an IRA or employer plan, you entered a partnership with the government — you deferred taxes, and eventually you must fulfill your end by taking withdrawals.

The RMD age has moved over time: 70½, then 72, and now 73 to 75 depending on your birth year. Those born before 1960 start at age 73; those born after 1959 start at 75.

Inherited IRAs add even more complexity. Kelsey, how do you navigate that?

KELSEY:

It definitely became more complicated after the SECURE Act 2.0. Everything depends on the decedent's date of death. If they passed after 2020, the entire IRA must be distributed within 10 years unless certain exceptions apply.

If the original owner was already taking RMDs, the beneficiary must continue annual minimum distributions within those 10 years.

ERIC:

It can feel like a "Choose Your Own Adventure" chart. There are decision points, and the answers determine the path.

The good news is the calculation itself is straightforward: December 31 value of the IRA divided by a life expectancy factor.

But the life expectancy table used can vary.

Kelsey, what are some situations where a different table applies?

KELSEY:

If your spouse is more than 10 years younger, you use the Joint and Survivor Table. For inherited IRAs, you may use the Single Life Table. And the table changes depending on whether you are an eligible or non-eligible designated beneficiary.

ERIC:

Exactly — three tables exist, and most use the Uniform Lifetime Table, but exceptions matter.

Let's talk about people who have multiple IRAs or old 401(k)s.

KELSEY:

Often, you can aggregate your IRA RMDs and take the full amount out of one account. Some institutions require you to withdraw from their specific account, which is fine as long as it's completed before December 31.

ERIC:

Ultimately, the taxpayer is responsible for ensuring the correct RMD is taken, even if institutions help calculate it.

KELSEY:

Yes — most of the responsibility falls on the individual. For our clients, we proactively remind them well before year-end so it never becomes a last-minute crisis.

ERIC:

And consolidation of accounts can really help simplify this entire process.

Let's address tax withholding. Many clients don't know how much to withhold, as their liability depends on all income sources. How do you help them with that?

KELSEY:

We look at their total income — capital gains, dividends, interest — to determine their tax bracket and appropriate withholding. We often collaborate with their accountant. State residency also matters. For example, Pennsylvania does not tax retirement income, but other states do or require withholding.

ERIC:

Yes — and moving to another state can create what feels like double taxation if the state taxes retirement income on the way out even though you received no state deduction on the way in.

We also find that people often aren't withholding tax on Social Security or have low withholding on pensions. The RMD becomes a chance to “true up” their annual withholding to avoid surprises.

Let's wrap with proactive planning. We see two phases:

1. Before RMDs begin — Roth conversions, capital gains planning.
2. After RMDs begin — cash-flow planning and evaluating charitable opportunities like QCDs.

KELSEY:

Exactly. At year-end we look for opportunities such as Roth conversions or capturing capital gains at favorable rates. We also contact clients who will start RMDs the following year so we can prepare them for what their income will look like. When RMDs begin, income often increases — which can also increase Medicare Part B premiums due to IRMAA.

We also evaluate Qualified Charitable Distributions. You can start QCDs at age 70½, but they're often most powerful once RMDs begin. For charitably inclined clients, QCDs can reduce taxable income.

ERIC:

And QCDs really are a win-win. The charity benefits, you reduce income — and potentially IRMAA — and you're still fulfilling your requirement to the government.

Kelsey, thank you so much for joining us in the studio today. I hope this discussion has been enlightening and engaging for our listeners. If this information could help someone you know, please feel free to share the podcast.

If you have questions, visit our website at [www.keyfinancialinc.com](http://www.keyfinancialinc.com) or contact the office. Thank you for joining us, and we wish you a happy, healthy holiday season and a prosperous new year. We'll see you again soon on The Patti Brennan Show.