Nicole L. Maholtz
President & CEO
P.O. Box 3
Cooksburg, PA 16217-0003
(803) 781-9595 opt 1
Nicole@brentmark.com
www.brentmark.com

Brentmark

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2022 Means New Tables for RMDs: The Top 5 Provisions You Must Know

By: Denise Appleby, MJ, CISP, CRC, CRPS, CRSP, APA

New RMD tables mean lower RMDs for some. These must be applied for distributions made in 2022 and after.

On November 12, 2020, the IRS published final regulations for the life expectancy and distribution period tables used to calculate required minimum distributions (*RMDs*) for owners and beneficiaries of retirement accounts. These tables, which apply to RMDs taken 2022 and after, were updated to reflect current life expectancies which are generally longer than those reflected under the previous versions of the tables.

To make allowances for beneficiaries who inherit accounts before 2022 and are taking distributions under the life-expectancy rule, the final regulations include a transition rule that results in their life expectancies catching up to the new tables.

Background: RMD Requirements
If you are at least age 72, you must take RMDs from any traditional, SEP and/or SIMPLE IRAs that you own. The RMD rules do not apply to Roth IRA owners. The RMDs for your own account are calculated using the Uniform Lifetime Table which uses your age and assumes that your beneficiary is 10 years younger than you. An exception applies if your spouse is more than 10 years younger than you and is your sole primary beneficiary. Under this exception, your RMD may be calculated using the Joint and Last Survivor Table, using your age and the actual age of your spouse beneficiary. The Joint and Last Survivor Table produces a lower RMD than the Uniform Lifetime Table.

You must also take RMDs from any IRAs that you inherit. In this case, RMDs apply to traditional, SEP, SIMPLE, and Roth IRAs. If you are eligible to take distributions from your inherited account over your life expectancy, those RMDs are calculated using the Single Life Expectancy Table.

In all cases, the age used to determine the life expectancy factor from each table is the age reached as of the end of the year for which the RMD is calculated.

RMDs are generally required to be taken by the end of the year to which they apply. An exception applies to the year an IRA owner reaches age 72, which allows the IRA owner to defer taking that RMD until as late as April 1 of the following year. This April 1 deadline is the account owner’s required beginning date (RBD).

RMDs also apply to employer-sponsored retirement plans (qualified plans, 403(b)s and governmental 457(b) plans) but there are two key differences from the rules that apply to IRAs: **(1)** A plan may allow eligible employees to defer starting RMDs past age 72 until retirement, and **(2)** RMDs apply to Roth account owners.

5 Key Provisions of These Final Regulations
As you plan for your 2022 RMDs, the following are some key factors that must be taken into consideration.

1. ***2021 RMDs Taken in 2022 Are Not Affected***

   An individual's first RMD- due for the year they reach age 72 (or retire if later, as explained above)- can be taken as late as their RBD. This means that an individual who reaches age 72 in 2021 – or retire if applicable – can take their 2021 RMD as late as April 1, 2022. However, their 2021 RMD would be calculated using the pre-2022 RMD tables, even if that RMD is taken in 2022.

2. ***The New Tables Reduce RMDs for Account Owners***

   The new tables allow for lower RMDs for owners of retirement accounts, allowing them to retain larger account balances.

   Example 1: Assume that an IRA owner reaches age 72 in 2022, and their traditional IRA balance as of December 31, 2021 is $100,000.
   Calculating their RMD using the Uniform Lifetime Table and comparing the results of the old and new tables:
   - Under the pre-2022 tables, their life expectancy would be: 25.6, making their RMD $3,906.25
   - Under the 2022 tables, their life expectancy would be 27.4, making their RMD $3,649.63

   A reduction of about 6.5% or $256.62
   This reduction is intended to lessen the likelihood of an individual outliving their retirement savings
   .

3. ***Spouse Beneficiaries Get Reduced RMDs***

   For a spouse beneficiary who is taking distributions over their life expectancy, that life expectancy is recalculated. This means that the Single Life Expectancy Table is consulted each year to determine the spouse beneficiary's life expectancy factor. The new Single Life Expectancy Table reduces RMDs for a spouse beneficiary because the new life expectancy factor is higher.

   Example 2: 75-year-old Heron inherited an IRA from his 75-year-old wife, and elected to keep the assets in a beneficiary IRA. Heron's life expectancy would be recalculated, using the Single Life Expectancy Table. Assuming that the IRA balance as of December 31, 2021 is $100,000, Heron's 2020 RMD would be $6,756.75 based on his life expectancy of 14.8 years. Under the pre-2022 tables, his 2022 RMD would have been $7,462.68 based on a life expectancy factor of 13.4 years. Heron's 2022 RMD is reduced by $705.93 as a result of the new Single Life Expectancy Table.

4. ***Nonspouse Beneficiaries Get a Mixed Bag***

   For nonspouse beneficiaries who are eligible to take distributions over their life expectancies, the life expectancy is nonrecalculated. Under the nonrecalculation method, the life expectancy is set in the determination year (see Number 5) and reduced by one (1) for each subsequent year.
   The life expectancy is increased and produces lower RMDs under the new Single Life Expectancy Table, until age 92 to 94 where they are identical to the pre-2022 table. They begin to get lower at age 95. However, the old table ends at age 111, requiring the account to be emptied at that age, whereas the new table extends to age 120. As a result, these accounts would last longer under the new Single Life Expectancy Table.

5. Nonspouse Beneficiaries Benefit from a Transition Rule

Nonspouse beneficiaries benefit from a transition rule that results in them catching up to the new Single Life Expectancy Table. Under the transition rule, the initial life expectancy is reset to the year of determination, using the 2022 Single Life Expectancy Table, and one (1) is subtracted for each subsequent year.

Beneficiary	Applicable Life Expectancy	Determination Year
A. When the account Owner died before 2020		
Designated Beneficiary		
• Owner died before the RBD	The life expectancy of the beneficiary.	Year following year of death
• Owner died on/after the RBD	Longer of;	
	a. The life expectancy of the beneficiary. Or,	Year following year of death
	b. The remaining life expectancy of the decedent.	Year of death
Non-designated Beneficiary		
• Owner died on/after the RBD	• The remaining life expectancy of the decedent.	Year of death
B. When the account Owner died 2020 or after		
Eligible Designated Beneficiary	• The life expectancy of the beneficiary.	Year following year of death
Non-designated Beneficiary		
• Owner died on/after the RBD	• The remaining life expectancy of the decedent.	Year of death

Example:
John died in 2019 at age 80, leaving his traditional IRA to his 75-year-old sister, Susan. Based on the pre-2022 Single Life Expectancy Table, Susan's life expectancy in 2020 (her year of determination) when she would have reached age 76, is 12.7. In 2022, her life expectancy would have been 10.7 (12.7 reduced by 2). However, under the transition rule Susan's life expectancy for 2020 is redetermined under the 2022 Single Life Expectancy Table, and is 14.1 for age 76, making it 12.1 for 2022 (14.1 reduced by 2), allowing for a smaller RMD than would be required under the pre-2022 table.
Important: This transition changes only the 2022 and after RMDs. The RMDs for 2021 and earlier remain the same as they are calculated under the pre-2022 table.

Start Planning Now
IRA custodians, trustees and other industry leaders have been working on implementing these changes in preparation for 2022 RMDs. Account owners must be aware of the changes to be able to determine if RMD calculations are accurate. Further, custodians are not required to calculate RMDs for inherited IRAs, which places the responsibility on beneficiaries to get it right. Bear in mind also that calculations are not required for all beneficiaries, as some may simply deplete the inherited account within 10 or 5 years as applicable.

If you are at least age 72 or inherited a retirement account, please contact us about your RMD requirements.

advice. Before making any decisions with legal or tax ramifications, you should consult, as appropriate, with an attorney or accountant. The information is subject to change without prior notice.