

An **Educational** Guide  
for Individuals



Now that you're  
70½ you need  
to know these  
tax facts.

Required Minimum  
Distribution



We'll help you get there.®

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## **Minimum distributions are required by law**

As a tax-qualified annuity contract owner, you could be affected by the IRS Required Minimum Distribution Rules. These rules require tax-qualified annuity contract owners to withdraw a portion of their retirement plan assets each year. This requirement is effective the year you turn age 70½, or the year you retire, if later, depending on the type of plan you have.

The Required Minimum Distribution rules ensure that your tax-qualified annuity is being used for its intended purpose – as a vehicle to provide retirement income. Ignoring the IRS requirement can have serious tax consequences, possibly resulting in a federal income tax penalty equal to 50 percent of the amount that should have been distributed.

## **Does this rule apply to me?**

Required Minimum Distribution rules apply to you if you are a participant in one of the following plans:

- Individual Retirement Arrangement (IRA)\*
- SIMPLE IRA
- SEP IRA
- Tax-Sheltered Annuity (TSA)
- Pension Plan
- 457(b) deferred compensation plan
- Profit-sharing or 401(k) plan

\* The Required Minimum Distribution Rule does not apply to Roth IRAs during the owner's lifetime.

## **When must I take these distributions?**

The answer depends on the type of plan you have and whether you are retired.

- If you are retired and were a participant in any of the plans mentioned, the year you turn age 70½ is your first Required Minimum Distribution year.
- If you are working in the year you turn age 70½, the year you retire is your first Required Minimum Distribution year.  
This rule applies to all the plans mentioned except IRAs and plans with a company in which you have a 5% ownership interest.

- If you have any type of IRA or a plan with a company in which you have a 5% ownership interest, your Required Minimum Distribution year is the year you turn 70½, even if you are working.

Once you know your Required Minimum Distribution year, you have the option of deferring your first distribution until April 1 of the following year. (Refer to the chart on the last page of this brochure.)

Before you decide to take advantage of the deferral option, keep in mind that subsequent distributions must be taken by December 31 of each year following your first Required Minimum Distribution year. If you defer your first distribution until April 1, you will need to take your second distribution by December 31 of the same year.

### **Who can advise me about required minimum distributions?**

Your tax adviser can advise you on how the Required Minimum Distribution rules apply to you. Your tax adviser can also verify that the amount of income you are withdrawing complies with the tax law.

## **What happens if I have several IRAs or TSAs?**

If you have several IRAs, the Required Minimum Distribution for each IRA must be calculated separately. However, the total Required Minimum Distribution for all your IRAs, including any you may have with other companies, can be withdrawn from any one or a combination of your IRAs. The same rules apply if you have several TSAs. If you have both types of plans, you must satisfy your IRA Required Minimum Distribution separately from your TSA Required Minimum Distribution.

## **Information to calculate distributions**

When you consult with your tax adviser, have these items available:

- Copies of all contracts.
- Fair Market Value (FMV) for each of your contracts. The FMV is the combination of the prior year's end contract value and, if applicable, the actuarial present value of additional benefits on the contract. IRA owners are required to be provided with

the FMV for their account by January 31st each year. Owners of other qualified contract types will have to contact their plan provider to obtain the FMV of their account.

- Amounts attributable to recharacterizations or rollovers that were not included in any contract value for the prior year-end.

### **If you turn 70½ or retire in the year 2011...**

Your first distribution will be for the year **2011**

You can defer the first distribution until **April 1, 2012**

You will need year-end contract values for the year **2010\***

\* TSA owners with TSAs dating back to 1986 need the 1986 year-end values. Withdrawing a Required Minimum Distribution on your pre-1987 account balance may be delayed until age 75.

**Principal Underwriters:**

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