Required Minimum Distributions

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

Minimum distributions are required by law

As a tax-qualified annuity contract owner, you could be affected by Internal Revenue Code Required Minimum Distribution (RMD) rules. These rules require owners of tax-qualified annuity contracts 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.

Required minimum distribution rules help ensure that your tax-qualified annuity is being used for its intended purpose — as a way to provide retirement income. Ignoring RMD requirements 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.

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Does this rule apply to me?

RMD 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

* RMD rules do 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 RMD year.
- If you are working for the plan sponsor in the year you turn age 70½, the year you retire is your first RMD year. This rule applies to all the plans mentioned except IRAs and plans with a company in which you have a 5 percent ownership interest.
- If you have any type of IRA or a plan with a company in which you have a 5 percent ownership interest, your first RMD year is the year you turn 70½, even if you are working.

Once you know your first RMD 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 RMD 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 advisor can advise you on how RMD rules apply to you. Your tax advisor 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 RMD 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 needed to calculate distributions

When you consult with your tax advisor, 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 31 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 2019…

- ✓ Your first distribution will be for the year **2019.**
- ✓ You can defer the first distribution until **April 1, 2020.**
- ✓ You will need fair market values for the year **2018.**

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