

Understanding Required Minimum Distributions



You are receiving this communication because our records indicate that you will attain age 73 in this calendar year. This means that you may soon need to begin drawing down on your retirement plan account(s) with the ABA Retirement Funds Program (“Program”) by taking a Required Minimum Distribution (“RMD”).

Internal Revenue Code (IRC) Section 401(a)(9) stipulates that in order to be treated as a tax-qualified retirement plan, a plan must generally require that participants begin receiving RMDs shortly after attaining age 73. This reflects Congress’s intent that the purpose of such plans is to provide for the payment of retirement benefits. The requirement also ensures that the IRS receives tax revenue from an account that has typically been tax-sheltered for many years. To determine whether you are required to begin taking RMDs, the Program needs to ensure we have the most up to date information. Please review the enclosed questionnaire, and return it if you have to make any updates. If the information on the questionnaire is correct, then no action is required.

If our records are accurate, then we can assist you with this important event. **Failure to timely comply with the RMD requirements carries a penalty of an excise tax equal to 25% of the amount that was required to be withdrawn.**

..... **Here are some frequently asked questions regarding RMDs:**

Q. Who is required to take an RMD?

A. A participant who has attained age 73 and who a) is no longer working* for the firm that sponsors their retirement plan or (b) continues working for the employer that sponsors his/her retirement plan and owns 5% or more of the employer entity at any time during the calendar year in which he/she turned 73.

Q. How is my RMD calculated?

A. Based on your prior year-end account balance divided by the applicable life expectancy factor according to the IRS’s Uniform Table.

Example:



Jane Smith’s 401(k) plan balance on 12/31/23 was \$100,000. The life expectancy factor for age 73 is 25.6 more years.

.....
$$\$100,000 \div 25.6 = \$3,906.25$$

A different IRS life expectancy factor table would be used to calculate your RMD if your sole designated beneficiary during the entire calendar year is your spouse and he/she is more than 10 years younger than you.

Q. When is the RMD due to be paid?

A. The first RMD can be deferred to the April 1 following the later of the calendar year you turn 73 or retire from employment with the employer maintaining the plan. However, each RMD due thereafter must be paid from the plan annually by December 31.

Q. Do I owe taxes on my RMD? Will any taxes be applied?

A. Yes. Generally, RMDs are treated as ordinary income for income tax purposes. You have the ability to provide withholding instructions to the Program as described on the next page. If you do not provide withholding instructions, the Program will automatically withhold 10% in federal income tax, as well as any applicable state tax.

Q. Can I aggregate the RMD amounts for all of my retirement plan accounts and Individual Retirement Accounts (“IRAs”) and withdraw the total RMD amounts from one account?

A. No. The RMD from your retirement accounts must be calculated and satisfied separately for each plan. Although you can aggregate the RMD amounts to be paid from your IRAs (if you have an IRA), this aggregation rule does not apply to your retirement plan account.

Q. Can I have my RMD payment made directly to a charity like I can with my IRAs?

A. No. IRS guidance provides that qualified charitable distributions may satisfy RMD requirements from IRAs. These rules do not apply to qualified retirement plan accounts.

Q. How will the Program help me meet the RMD requirements?

A. We are prepared to offer assistance in the following ways:

- Notifying you of the RMD requirements;
- Collecting data from you to enable us to correctly calculate your RMD, or to determine you are not subject to the RMD;
- Mailing an RMD statement to you that provides information on that year's RMD each year in early spring. You will not receive a statement if your RMD is already satisfied for that year;
- Making an RMD request form available online should you choose to take the payment earlier than it will be automatically paid out to you;
- Providing withholding instructions on the RMD request form;
- Providing an Electronic Direct Deposit Form online should you wish to have ACH instructions on file for the first and all subsequent payments;
- Accepting a completed, signed IRS Form W-4P to keep on file for "standing" federal income tax withholding instructions (note: these "standing" instructions will not apply to an ad hoc payment that you request earlier in the year, only to the automatic sweep described below);
- Reminding participants annually if they maintain a Self-Directed Brokerage Account ("SDBA") of the need to have enough assets in the Program's core investment options from which to pay the RMD, since the RMD cannot be paid directly from an SDBA (see sidebar below);
- Providing a "blanket spousal consent" for participants in certain types of retirement plans that are subject to spousal consent, allowing the participant to provide "standing" instructions applicable only to the automatic sweep;
- Issuing the first RMD in mid-March following the later of the year during which you (a) turned 73 or (b) terminated employment with the employer entity which sponsors the retirement plan in which you participate, and issuing each RMD thereafter in early December through an automatic sweep.

RMD payments cannot be made directly from the SDBA. Instead, you must make sure that you have enough assets in the Program's core investment options to cover the total withdrawal, which may mean liquidating securities. The Program's Customer Service Associates at **800.348.2272** can help you determine if this liquidation will be necessary.



As always we welcome any questions you have at our Participant Services Line, which is **800.348.2272**. Representatives are standing by to assist you with this important event. We also provide a helpful Webinar on RMDs in the Resources section of our website at **abaretirement.com**.

* This does not mean that a participant has to be completely retired. The RMD requirement applies if you no longer work for the employer entity that sponsors the retirement plan in which you have an account.

Please read the Program annual Disclosure document (April 2022) carefully before investing. This Disclosure Document contains important information about the Program and investment options. For email inquiries contact us at: contactus@abaretirement.com and include your 6-digit plan number.

Securities offered through Voya Financial Partners, LLC (member SIPC).

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