LESSON · TAX & WITHDRAWALS

RMDs: The Withdrawals the IRS Requires

Once you reach a certain age, the IRS stops letting your Traditional IRA and 401(k) grow tax-deferred forever — you have to start taking money out, whether you need it or not. Here's how the math actually works, and what it quietly triggers at that age.

Read time: 8 minutes **Level:** Foundational **Includes:** Knowledge check

A Traditional IRA or 401(k) lets your money grow tax-deferred for decades — but not forever. Once you reach a certain age, the IRS requires you to start withdrawing a minimum amount each year, whether you need the money or not. That withdrawal is called a Required Minimum Distribution, or RMD, and it's one of the more mechanical — and more consequential — parts of a retirement income plan.

What triggers an RMD, and from which accounts

Under current law, RMDs generally begin at age 73 for most people, rising to 75 for those born in 1960 or later — the exact age you're subject to has shifted more than once in recent years (it was 70½ not long ago), so it's worth confirming your specific starting age with your account custodian or a tax professional rather than assuming.

RMDs apply to Traditional IRAs, 401(k)s, 403(b)s and 457(b)s. Roth IRAs are not subject to RMDs during the original owner's lifetime, and — as of recent law — Roth 401(k) balances are treated the same way. Inherited accounts run on an entirely different set of rules (often a strict 10-year payout window for non-spouse beneficiaries) — that's a large enough topic that it deserves its own lesson rather than a footnote here.

How the amount is actually calculated

Worked example

Say you have $500,000 across your Traditional IRAs at the end of the prior year, and you're 73 this year. Using the IRS Uniform Lifetime Table, the divisor at 73 is 26.5 — so your RMD is $500,000 ÷ 26.5 ≈ $18,868 for the year. Seven years later at age 80, with a similar balance, the divisor drops to about 20.2 — so the same $500,000 would require roughly $24,752, a meaningfully larger percentage of the account even though the dollar balance hasn't grown. The required percentage climbs every year by design, whether or not your investments actually did.

Which accounts can be combined — and which can't

Multiple Traditional IRAs can be aggregated: you calculate the RMD separately for each one, then withdraw the total from any single IRA or combination of them. 403(b) accounts can similarly be aggregated among themselves. 401(k)s are different — the RMD for each employer plan generally has to come out of that specific plan, not combined with your IRAs or your other 401(k)s. Getting this wrong doesn't just cause a paperwork headache; it can mean an account technically still owes its RMD even though you withdrew "enough" in total from somewhere else.

The first-year trap

You're allowed to delay your very first RMD until April 1 of the year after you turn the required age — but if you do, you'll owe two RMDs in that same calendar year: the delayed one and the one for the current year. Stacking two years of withdrawals into one tax year can push you into a materially higher bracket than spreading them out would have. For most people, taking the first RMD in the actual year it's due — rather than delaying it — is the cleaner path.

Why RMDs matter beyond the withdrawal itself

An RMD isn't optional and it isn't a suggestion — it's added to your taxable income for the year whether you spend it, reinvest it, or let it sit in a bank account. Two consequences catch people off guard specifically at RMD age:

- **More of your Social Security can become taxable.** Up to 85% of Social Security benefits are taxable once "combined income" (roughly your other income, plus half your Social Security) crosses IRS thresholds — and an RMD is exactly the kind of income that pushes combined income over those lines.
- **IRMAA surcharges show up two years later, based on this year's income.** Medicare Part B and Part D premiums step up at higher income tiers through IRMAA (Income-Related Monthly Adjustment Amount) — and the income year used is from two years prior. An RMD-driven income spike this year can mean a real, noticeable jump in what you pay for Medicare the year after next, which is exactly the kind of delayed surprise that's easy to miss if you're only looking at this year's tax return.

Miss one, and there's a real penalty

Under current rules, failing to take a full RMD by the deadline can trigger an IRS excise tax on the shortfall — historically 50%, reduced under recent legislation to 25% (or as low as 10% if corrected within a short window). The exact penalty and correction rules can change, so this is one area worth double-checking with a tax professional the year your RMDs begin, not after you've missed one.

What you can actually do about it

The main lever most people have is timing: Roth conversions completed in the years before your RMDs start move money out of the accounts that generate future RMDs, in exchange for paying tax on the conversion now (see the Roth Conversions lesson for how to think through that tradeoff, including how it interacts with Medicare and tax brackets in its own right). If you're charitably inclined, a Qualified Charitable Distribution — sending some or all of an RMD directly to a qualified charity, up to an annually-adjusted limit — can satisfy the RMD requirement without adding the amount to your taxable income or your Social Security/IRMAA calculations at all.

Before your first RMD year:

- [ ] Confirm your exact required-beginning age with your custodian or a tax professional
- [ ] Know which accounts can be combined for RMD purposes (IRAs and 403(b)s separately can; 401(k)s generally can't be combined with anything else)
- [ ] Decide whether to take your very first RMD in its actual year, rather than delaying and stacking two into one tax year
- [ ] Check whether this year's RMD could raise the taxable share of your Social Security, or trigger IRMAA two years out
- [ ] Decide whether Roth conversions in the years before RMDs start make sense for you
- [ ] Consider whether Qualified Charitable Distributions fit your giving plans

KNOWLEDGE CHECK

Test what you just learned

Answer four quick questions to test what you just learned.

1. Which account is generally NOT subject to RMDs during the original owner's lifetime?

> A. Traditional IRA
>
> B. Roth IRA
>
> C. 401(k)

2. What generally happens if you miss a Required Minimum Distribution?

> A. Nothing — RMDs are optional
>
> B. The IRS can charge an excise tax penalty on the amount you should have withdrawn
>
> C. Your account is automatically closed

3. Why can an RMD trigger a jump in Medicare premiums two years later?

> A. It can't — Medicare premiums are flat for everyone
>
> B. IRMAA surcharges are based on income from two years prior, so this year's RMD can raise premiums down the road
>
> C. RMDs are reported directly to Medicare in the same year

4. What's one downside of delaying your very first RMD to April 1 of the following year?

> A. There is no downside
>
> B. You'll owe two RMDs in that same calendar year, which can push you into a higher tax bracket
>
> C. It becomes tax-free

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