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WS 16 RMD Case Studies

2015 ASPPA ANNUAL CONFERENCE
AHEAD OF THE CURVE
ASPPA
MAKING RETIREMENT PLANS WORK

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Provided by DST

asppaannual.org

AGENDA

- Distribution Calendar Year
- Required Beginning Date Issues
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- Recent Changes that Relate to the RMD Rules
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- Designated Roth RMD Issues
- 50% Penalty and Individual Waiver
- Correcting RMD Failures Using EPCRS

“Distribution Calendar Year”

Distribution Calendar Year

- A term that is part of the RMD regulations.
- RMD required for each “distribution calendar year.”
- RMDs may not be rolled over, or transferred, in any distribution calendar year, including the first distribution calendar year.

- First distribution calendar year is the year that age 70½ is attained, or , if the plan permits, for non-5% owners, the year the employee retires.
  - Grace period of April 1 after first distribution calendar year to take first RMD, i.e by the RBD.
  - For every other distribution calendar year, the RMD must be taken by December 31.

Distribution Calendar Year 1.401(a)(9)-5 Q&A, 1(b)

- "b) *Distribution calendar year.* A calendar year for which a minimum distribution is required is a distribution calendar year. If an employee's required beginning date is April 1 of the calendar year following the calendar year in which the employee attains age 70 1⁄2, the employee's first distribution calendar year is the year the employee attains age 70 1⁄2. If an employee's required beginning date is April 1 of the calendar year following the calendar year in which the employee retires, the employee's first distribution calendar year is the calendar year in which the employee retires."

Required Beginning Date Issues

Required Beginning Date
Code Section 401(a)(9)(C)

Code Section 401(a)(9)(C) **Required beginning date.—** For purposes of this paragraph—
(i) **In general.—** The term "required beginning date" means April 1 of the calendar year following the later of—

(I) the calendar year in which the employee attains age 70½, or

(II) the calendar year in which the employee retires.

(ii) **Exception.—** Subclause (II) of clause (i) shall not apply—

(I)except as provided in section 409(d), in the case of an employee who is a 5-percent owner (as defined in section 416) with respect to the plan year ending in the calendar year in which the employee attains age 70½, or

(II)for purposes of section 408(a)(6) or (b)(3).

Required Beginning Date

Final Regulations Section 401(a)-2 Q&A 2 (b) and(c)

1.401(a)(9)-2 Q&A 2 (b) and (c):

"Q–2. For purposes of section 401(a)(9)(C), what does the term required beginning date mean?

- (b) In the case of an employee who is a 5-percent owner, the term required beginning date means April 1 of the calendar year following the calendar year in which the employee attains age 70½.
- <u>(c) For purposes of section 401(a)(9), a 5-percent owner is an employee who is a 5-percent owner (as defined in section 416) with respect to the plan year ending in the calendar year in which the employee attains age 70½."</u>

RBD in Qualified Plan
Plan Document Defines RBD

- Document may define RBD as:
  - April 1 after year 70½ is reached for all
  - April 1 after year 70½ is reached for 5% owners AND non-5% owners severed by/in the year age 70½
  - April 1 after year of retirement after age 70½ for non-5% owners
    - Plan may permit in-service at age 70½ for non-5% owners still working – or not
    - If plan does not have in-service, employees looking for RMD are confused
- Check your plan document

RBD: 5% Owner Case Studies
Question 1

Q. A client is currently a 5% owner through the family attribution rules because his wife owns the business. He is reaching the age of 70½ in 2015. But if his wife sells prior to December 31, 2015 does that mean the client is not a 5% owner?

RBD: 5% Owner Case Studies Question 2

Q. A 74 year old 5% owner began taking RMDs from his company's 401(k) plan when he attained age 70½. He is still working for the same company and has recently sold all his ownership interest in the company. Must he continue taking RMDs?

RBD: 5% Owner Case Studies Question 3

Q. A 5% owner is attaining age 70½ on July 31, 2015. He sold his interest in the company on July 12, 2014. The 401(k)'s plan year is July 1 to June 30. Is he a 5% owner for RMD purposes?

RBD: 5% Owner Case Studies Question 4

If I stop being a 5% owner after RBD, I must continue RMDs.

Q. I was an employed non-5% on April 1, after the year I reached age 70½ and became a 5% owner AFTER then?

RBD: 5% Owner Case Studies Question 5

Your firm takes over another firm's plans. In reviewing them you find a owner-only plan for a Doctor who is 84 years old. The Doc has been making contributions each year, but there have been no RMDs. How do you proceed?

RBD: Non-5% Owner Case Studies Question 1

Q. Plan defines RBD for non-5% owners as April 1 of the year following the later of the year age 70½ is reached or after the year of retirement.

- How do you handle non-5% owners who are still employed in the year they attain age 70½ and that want to start RMDs?

RBD: Non-5% Owner Case Studies Question 2

The RMD regulations state: “If an employee’s required beginning date is April 1 of the calendar year following the calendar year in which the employee retires, the employee’s first distribution calendar year is the calendar year in which the employee retires.”

Q. The definition uses the word retires. Do RMDs start when the employee “retires” but actually continues to work for the employer on a hourly basis 3 days a week?

RBD: Non-5% Owner Case Studies Question 3

Plan defines RBD for non-5% owners as April 1 of the year following the later of the year age 70½ is reached or after the year of retirement.

Q. Non-5% owner is age 75 and tells the employer he is going to retire in November 2016. It is now February 2016 and he wants to make an in-service distribution and arrange to send a direct rollover to an IRA. The participant is told he must first take an RMD before the direct rollover. Do you agree?

RBD: Non-5% Owner Case Studies Question 4

Q. Would it be administratively simpler to operate the plan with the same RBD for all participant, i.e. April 1 after age 70½ for all?

- Q. Does anyone recommend this?
- Q. Can you change back to this definition?

RBD: Non-5% Owner Case Studies Question 5

RBD for non-5% owners is defined as April 1 of the year following the later of the year age 70½ is reached or the year of retirement.

The plan accepts rollover of pretax funds from traditional (non-Roth) IRAs. The participant is beyond the IRA's RBD.

Q. May a non-5% owner roll his/her traditional (non-Roth) IRAs - less his/her IRA RMD for the year - into the qualified plan and defer RMDs on the IRA money rolled into the plan until April 1 after retirement?

RBD: Non-5% Owner Case Studies Question 6

Q. RBD for non-5% owners is defined as April 1 of the year following the later of the year age 70½ is reached or the year of retirement.

- Plan terminates on September 30, 2015. The company and the employees continue.
- As part of the plan termination distributions, must the plan pay RMDs to the non-5% owners who are over age 70½ and still working?

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RBD: Plans Subject to QJSA Question 1

Q. A plan is subject to QJSA requirements, what are the participants options at or just before RBD?

RBD: Plans Subject to QJSA Question 2

Q. What could the plan administrator do when the plan is subject to QJSA requirements and the participant and spouse do not waive the annuity and do not respond by RBD?

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RBD: Plans Subject to QJSA Question 3

Q. What if the plan has no response from the participant by RBD and does nothing?

Rollovers and RMDs

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Rollovers and RMDs: Case Studies Question 1

A non-5% owner severs employment on October 9, 2015 at age 72 and must receive an RMD by April 1, 2016.

Q. Is there a difference in the requirement to distribute an RMD if the participant terminates and then promptly takes a new job at an unrelated company?

Rollovers and RMDs: Case Studies Question 2

Q. In the year the retired 401(k) participant attains age 70½ (i.e. in the first distribution calendar year but before RBD), may a participant roll the entire balance to an IRA?

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Rollovers and RMDs: Case Studies Question 3

Q. RMDs are critical to return at least 50% of the participant's tax deferred retirement assets to the tax stream while the participant is alive, (rather then them becoming funds for a beneficiary). Other than that why are RMDs not eligible for rollover?

Rollovers and RMDs: Case Studies Question 4

Q. Can you provide an example of a non-5% owner severing employment at age 74 and directly rolling his 401(k) balance to an IRA?

- **ABC Firm 401(k) participant, age 74, directly rolls his 401(k) to a traditional IRA on July 20, 2015, less the 401(k) RMD for 2015**
  - **RMD for 2015 is to be calculated before the direct rollover is made and the RMD may not be rolled over to the IRA**
  - ***Institution receiving rollover unable to calculate minimum for 2015 because they had no balance on 12-31-14 to use in the calculation***
    - ***Plus, Section 401(a)(9) requires qualified plan to distribute RMD, not send it to an IRA, where it may or may not be distributed***
  - ***IRA owner starts calculating RMD for 2016, based on 12-31-15 IRA balance***

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Rollovers and RMDs: Case Studies Question 5

Q. How is an improper rollover of an RMD into an IRA to be handled?

Q. How is an improper rollover of an RMD into an qualified plan to be handled?

Other RMD Calculation Issues

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Other Calculation Case Studies Question 1

Q. Are there other methods of calculating RMDs in a DC plan?

Other Calculation Case Studies Question 1

Q. Would you have an example of Level payments calculated using Uniform Lifetime Table's time period?

- Balance - $500,000
- Interest - 10%
- Payout – 26 years
  - Annual Level Amount $54,058
- This isn't goal of most participants, i.e. to take lowest RMD and pay least tax.
- Compare the account balance method
  - At 70 $500,000/27.4 = $18,248
  - At 71 $500,000/26.5 = $18,868

Other Calculation Case Studies Question 2

Q. How do you calculate RMDs in an off-calendar year plan?

Other Calculation Case Studies Question 2

Q. Would you have an example?

- Balance forward plans calculation
  - Balance 6-30-14 $24,000
  - Between 7-1 and 12-31-14
    - +Deferrals $1,000
    - +ER Allocations $2,000
    - -Distributions - $500
  - Balance 12-31-14 $26,500
- Age 71 in 2015, use 26.5
  - $26,500/26.5 = $1,000 RMD

A Variety of Issues

Variety of Issues Case Study 1
Fees and Low Balance RMD

401(k) charges participants a $50.00 distribution fee.
If a terminated participant's balance is less than $50.00, the entire balance is taken as a fee, resulting in no distribution.

Q. If a Participant is over age 70½, and has a balance less than $50.00, is the RMD to be paid first, or can we take the entire balance as a fee, resulting in no RMD being paid for that year?

Variety of Issues Case Study 2
Federal Tax Withholding and RMDs

Q. A participant's RMD is $1,600. The participant wants to withdraw $10,000 and does not want any tax withholding. What do you say to the participant?

Variety of Issues Case Study 3
RMD Due and No Liquid Assets

Q. A participant is in his first distribution calendar year and you notify him that he is required to take an RMD by April 1 of the next year. The participant states that he has no liquid assets in the plan. He had rolled everything out to an IRA two years ago, except the real estate. What are the participant's options?

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Variety of Issues Case Study 4
RMD Notification to Former Employee

Q. I mailed the notification that the former employee is turning 70½ this year and the nonspouse beneficiary responded and said the former employee died 8 years ago. What is to be done now?

Variety of Issues Case Study 5
RMD Aggregation

Q. Participant tells you they took the RMD for his solo-k from his broker. You find out that he took the aggregate RMD of his broker IRA and his broker solo-k from his IRA for the past three years because he knew he could aggregate the RMDs.

What do you say?

Recent Changes that Relate to the RMD Rules

RR 2014-9
Scenario 1

- The plan administrator of a qualified plan receives a 2015 direct rollover check from a prior employer's plan. The check may be presumed to come from a plan that is qualified IF:
  - **The Form 5500, for the distributing plan, did *not* enter Code 3C on line 8a (as that would indicate non-qualified plan status). Form 5500-SF look at line 9a for the 3C.**
    - **Plan administrator is to go to DOL Form 5500 web site to verify this, i.e. www.efast.dol.gov , search for plan's most recently filed form**
  - **PROVIDED, there is no evidence to the contrary.**
  - **If RMD is due for the year, distributing plan is responsible to have made the RMD before the direct rollover.**

RR 2014-9
Scenario 2

- **Section 402(c) → traditional IRA (pre-tax amounts only) rollovers may be accepted by a qualified plan, if plan provision**
- Exceptions to this rule:
  - Inherited IRA
  - SIMPLE IRA where participant lacked two years of participation
- Qualified plan receiving a check payable to: "Qualified plan FBO the participant" from a traditional (not-inherited) IRA may safely assume that the funds are from a traditional, non-inherited IRA, **if:**
  - **Check stub indicates distributing account is titled "IRA of Name of the Distributee."**
  - **The distributee certifies:**
    - **The distribution is from a traditional IRA and includes no after-tax dollars, and**
    - **He or she will not attain age 70½ by the end of year of the transfer**
    - **Provided, there is no evidence to the contrary**
- Rollover Later Found Ineligible: Disgorge, plus earnings

Qualified Longevity Annuity Contract (QLAC) Concepts

- With individuals living longer, the QLAC is to help prevent them outliving their retirement funds by providing for an annuity income stream to start as late as at age 80, but no later than age 85
- Regulation is effective July 2, 2014
- Amount that may be invested in a QLAC is limited to the lesser of:
  - 25% of participant's balance, or
  - $125,000, subject to COLA in increments of $10,000

- **The amount invested in the QLAC is excluded from the RMD calculation.**

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Qualified Longevity Annuity Contract (QLAC) Concepts

- Special RMD rules for payments from a QLAC
  - **Generally, the QLAC annuity payment satisfies the RMD for the QLAC**
  - Generally, the issuer of the contract will be responsible paying the annuity.
  - There are special rules for 403(b)s
    - If spouse is sole beneficiary and participant dies before annuity starts, spouse is permitted to exceed the annuity that would have been paid to the participant to the degree necessary to satisfy the QPSA rules, if an ERISA 403(b). See A–3(d) of § 1.401(a)–20 and § 1.403(b)–5(e).
- QLAC Regulations may be found at:
  - http://www.irs.gov/irb/2014-30_IRB/ar07.html

Windsor and Oberegfell RMD Regulation Impact

- Same-gender marriages are spouses for RMD regulations purposes
  - RMD ➔ joint life tables if spouse is more than 10 years younger
  - Surviving spouse beneficiary rules apply in regard to rollovers
  - Surviving spouse may wait until the deceased participant would have been age 70½ to commence payments.

Designated Roth RMD Issues

Roth 401(k) Case Studies Question 1

A participant has $15,000 in 401(k) Roth that has not met the 5 year rule and is not qualified distribution money. The participant also has $75,000 in pretax dollars.

Q. The participant's RMD for the year is $4,000. Can the RMD come only from the non-Roth source if the participant so chooses? or must the RMD be pro-rata of Roth (including pro-rata taxable earnings) and pre-tax?

Roth 401(k) Case Studies
Question 2

Roth IRA not subject to RMDs while Roth IRA owner is alive (beneficiaries are subject to RMDs).

Designated Roth is subject to RMD rules due to Code Section 401(a)(9).

Q. Is there a way to avoid Designated Roth RMD payments?

The 5-Year Clock
Rollover to Roth IRA – Examples

1. **Michelle leaves employment at age 68 in 2015. She had deferred into her Roth 401(k) for 2012 and 2015**
   - She **rolls her money to a First ever NEW Roth IRA in 2015**
   - The **5-year clock starts over again in 2015 in Roth IRA**!!!
2. **Raquel leaves employment in at age 72 in 2015. She had deferred into her Roth 401(k) for 2012 and 2015**
   - She **rolls her money to a Roth IRA in 2015**, less RMD
   - She had **opened the Roth IRA in 1999**
   - *The* ***5-year clock on the amount rolled into the Roth IRA has been satisfied*** *(as it picks up the Roth IRA clock which started in 1999)!!*
3. **If the designated Roth dollars are "qualified distribution", then they are considered "basis" when entering the IRA.**
   - **If qualified distribution rolled into a new Roth IRA,**
     - **Earnings made by a new Roth IRA (after the qualified distribution is rolled in), must wait 5-years to be tax free.**

The 50% Penalty and the Individual Waiver

Excise Tax on Underpayment of RMD Code Section 4974

"(a) General Rule

If the amount distributed during the taxable year of the payee under any qualified retirement plan or any eligible deferred compensation plan (as defined in section 457(b)) is less than the minimum required distribution for such taxable year, there is hereby imposed a tax equal to 50 percent of the amount by which such minimum required distribution exceeds the actual amount distributed during the taxable year. The tax imposed by this section shall be paid by the payee."

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How Is the 50% Penalty Paid?
IRS Form 5329, Attached to 1040

Form **5329**
Department of the Treasury
Internal Revenue Service (99)

Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts

► Attach to Form 1040 or Form 1040NR.
► Information about Form 5329 and its separate instructions is at *www.irs.gov/form5329.*

OMB No. 1545-0074
2014
Attachment Sequence No. 29

Name of individual subject to additional tax. If married filing jointly, see instructions.			Your social security number
Fill in Your Address Only If You Are Filing This Form by Itself and Not With Your Tax Return	Home address (number and street), or P.O. box if mail is not delivered to your home		Apt. no.
	City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions).		If this is an amended return, check here ► ☐
	Foreign country name	Foreign province/state/county	Foreign postal code

Part VIII **Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs)**
Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.

50	Minimum required distribution for 2014 (see instructions)	50	
51	Amount actually distributed to you in 2014	51	
52	Subtract line 51 from line 50. If zero or less, enter -0-	52	
53	**Additional tax.** Enter 50% (.50) of line 52. Include this amount on Form 1040, line 59, or Form 1040NR, line 57	53	

Code Section 4974

"(d) Waiver of tax in certain cases

If the taxpayer establishes to the satisfaction of the Secretary that –

(1) the **shortfall** described in subsection (a) in the amount distributed during any taxable year was **due to reasonable error, and**

(2) **reasonable steps** are taken to **remedy the shortfall**, the **Secretary may waive the tax** imposed by subsection (a) for the taxable year."

Individual Waiver Method

Part VIII	**Additional Tax on Excess Accumulation in Qualified Retirement Plans (Including IRAs)** Complete this part if you did not receive the minimum required distribution from your qualified retirement plan.		
50	Minimum required distribution for 2014 (see instructions)	50	
51	Amount actually distributed to you in 2014	51	
52	Subtract line 51 from line 50. If zero or less, enter -0-	52	
53	**Additional tax.** Enter 50% (.50) of line 52. Include this amount on Form 1040, line 59, or Form 1040NR, line 57	53	

FORM 5329 Instructions:

"Waiver of tax. The IRS can waive part or all of this tax if you show that any shortfall in the amount of distributions was due to **reasonable error** and you are taking appropriate steps to **remedy the shortfall**. If you believe you qualify for this relief, **attach a statement of explanation** and **file Form 5329** as follows.

1. Complete lines 50 and 51 as instructed.
2. Enter **"RC"** and the **amount** you want waived **in parentheses** on the dotted line next to **line 52**. **Subtract this amount from the total shortfall** you figured without regard to the waiver, and enter the result on line 52.
3. Complete **line 53** as instructed. You must **pay any tax due** that is reported on line 53.

- The **IRS will review the information you provide and decide whether to grant your request** for a waiver."

Individual Waiver Method
Taxable Year

- Missed RMD is taxable in year it should have been distributed.
- An amended Form 1040X is to be filed with the Form 5329 for the appropriate tax year.

Correcting RMD Failures Using EPCRS

Preliminary Considerations

- Code Section **401(a)(9)** is **a qualification requirement** that all qualified plans must meet by distributing RMDs
- If full RMD is not distributed, then there is a 50% penalty based on the amount of the RMD that was not distributed.
  - **50% penalty for missed RMD is on the participant**
- RMD **process is complex**
- IRS recognizes complexity and frequency of missed RMDs
  - **Adding a reduced fee correction method to EPCRS** in 2006

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VCP Fee If Missed RMD Are Sole Plan Failure

- IRS EPCRS procedure for missed RMDs (originally added in Rev. Proc. 2006-27 EPCRS); Updated by Rev. Proc. 2015-27, effective July 1, 2015

Number of Participants With Missed RMDs	Fee
Up to 150	$500
151 to 300	$1,500
Over 300	General Schedule

  - *Regardless number of participants*
  - *Less than general VCP schedule:*
- *Requires VCP submission*

Number of Participants	Fee
20 or fewer	$ 750
21 to 50	$ 1,000
51 to 100	$ 2,500
101 to 500	$ 5,000
501 to 1,000	$ 8,000
1,001 to 5,000	$ 15,000
5,001 to 10,000	$ 20,000
Over 10,000	$ 25,000

EPCRS Penalty Waiver Section 6.09(2)

- **EPCRS (RP 2013-12, Page 43) does not automatically waive the 50% penalty when the employer files under VCP.**
  - **As part of VCP or Audit CAP** (not available under SCP), in appropriate cases, the **IRS may waive the (§4974) 50% excise tax applicable to plan participants.**

EPCRS Penalty Waiver
Section 6.09(2)

- **Under VCP,**
  - **Plan Sponsor, as part of VCP submission, must request the waiver of the §4974 excise tax, and**
    - where anyone subject to excise tax is either:
      - an **owner-employee** as defined in §401(c)(3) **or**
      - a **10% owner** of a corporation, **then:**
      - **Plan Sponsor must provide explanation support request**
    - **Waiver eliminates need for relief to be requested individually by each affected participant**
      - ***If VCP is not used* to waive the excise tax, then *each affected individual is responsible for their 50% penalty*.**
- EPCRS Section 11.02(h) (Page 61-62)
  - If the plan failed to make RMDs, and proposes to correct such failure using the method described above (in Appendix A, section .06, page 84-85), then the **Plan Sponsor should submit Form 14568-H, Appendix C, Part II, Schedule 8.**

IRS Form 14568-H

Form **14568-H** (January 2014)	Department of the Treasury - Internal Revenue Service **Appendix C Part II Schedule 8** **Failure to Pay Required Minimum Distributions Timely under § 401(a)(9)**	OMB Number 1545-1673

Please include the plan name, Applicant's EIN, and plan number information on each page of the submission

Plan name	EIN	Plan number

Section I - Identification of Failure

Calendar Years	Number of Participants Affected	Total Amount of Missed Required Minimum Distributions

Section II - Description of the Proposed Method of Correction

☐ **Defined Contribution plan only -** The plan will distribute the required minimum distributions (with Earnings from the date of the failure to the date of distribution) to affected participants. For each affected participant, the amount to be distributed for each year in which the failure occurred will be determined by dividing the adjusted account balance on the applicable valuation date by the applicable distribution period. For this purpose, adjusted account balance means the actual account balance, determined in accordance with § 1.401(a)(9)-5 Q&A-3 of the Income Tax Regulations, reduced by the amount of the total missed minimum distributions for prior years.

☐ **Defined Benefit plan only -** The plan will distribute the required minimum distributions plus an interest payment representing the loss of use of such amounts. The interest adjustment is determined as follows:

IRS Form 14568-H

Section III - Request for Relief

☐ A. The Applicant requests relief with regard to excise taxes under § 4974

Yes	No	
☐	☐	At least one affected participant is either an owner-employee (see § 401(c)(3)) or, if the Plan Sponsor is a corporation, a 10 percent owner of such corporation.

If "Yes," the Applicant submits the following explanation for its request for relief from the § 4974 excise tax:

Catalog Number 66153Y www.irs.gov Form **14568-H** (1-2014)

For Paperwork Reduction Act information see Revenue Procedure 2013-12.

IRS Form 14568-H

Page 2

Plan name	EIN	Plan number

Section IV - Change in Administrative Procedures

Please include an explanation of how and why the failures arose and a description of the measures that will be implemented to ensure that the same failures will not recur.

Section V - Enclosures

In addition to the applicable items listed on the Procedural Requirements Checklist for Form 8950, the Plan Sponsor encloses the following with this submission:

Specific calculations for each affected employee or a representative sample of affected employees. (The sample calculations must be sufficient to demonstrate each aspect of the correction method proposed. For a defined benefit plan, these specific calculations must illustrate the interest rate used to represent the loss of the use of the missed required minimum distributions.)

Correction Includes Distribution of Missed RMDs Plus Earnings

- EPCRS Appendix A, Section .06, (Page 84-85)
- In a **DC plan**, correction ➔ distribute the missed RMDs + earnings from failure date to distribution date.
- If **more than one year's RMD missed**
  - Determine the amount to distribute for each year, starting when the initial failure occurred, by
    - **dividing the adjusted account balance on the applicable valuation date by the applicable distribution period.**
    - For this purpose, **adjusted account balance** means the **actual account balance**, determined in accordance with §1.401(a)(9)-5 Q&A-3*, **reduced by the amount of the total missed minimum distributions for prior years**.

    * Balance valued on 12-31, (if last valuation before 12-31, then adjust for contributions or distributions after the valuation date until 12-31)
- In a **DB plan**, the permitted correction method is to distribute the missed required minimum distributions, plus an interest payment representing the loss of use of such amounts.

Correction of Missed DC RMD Plus Earnings - Example

Missed RMDs for 2012, 2013 and 2014

- Missed RMD for **2012**
  - **12-31-11 FMV $100,000/25.6 (age 72) = 3906.25***
- Missed RMD for **2013**
  - **12-31-12 FMV $108,000-3906.25/24.7 (age 73) = $4,214.32***
- Missed RMD for **2014**
  - **12-31-13 FMV $115,000-3906.25-4214.32/23.8 (age 74) = $4,490.73***

* Gains/Losses to be calculated and distributed on each RMD amount from date it should have been distributed until distribution date.

Questions and Comments

- Thanks for Attending!
- Questions or comments may be sent to me at: wcgrossman@dstrs.com