

# Episode #278: Making the Most of Your RMDs

Hello, and welcome to another edition of Money Script Monday. My name is Sean Brady and today's topic is Making the Most of your RMDs.

Now, you've worked your entire career, you've worked really hard, you've been diligent about your savings to your retirement, and chances are the bulk of those savings are going to be in your tax-deferred plans, arrangements like 401ks and IRAs. For now, those accounts are free of income tax if you aren't taking withdrawals already. But, if you're approaching your 73rd birthday, it's important to note that you'll soon have to be required to withdraw from those funds on an annual basis. That's because the IRS mandates that by your 73rd birthday, you are required to withdraw a certain amount from those tax-qualified plans, those IRAs, those 401ks, and the amount is called the Required Minimum Distribution or RMD for short.

Now, the IRS doesn't care what you do with the money. All they care about is that you remove or withdraw the required amounts that they designate just so they could get a piece of the pie. They don't want that money sitting in a tax-deferred plan, a tax-deferred vehicle forever. So, they're going to require you to make those withdrawals, and that RMD is the amount they're going to tax you on.

In a recent study called "The Role of IRAs in U.S. Households," they found that 85% of retirees that own IRAs are withdrawing only the RMD amounts based on law and only 6% are withdrawing the entire lump sum of that qualified account based on need. They also found that 41% of IRA-owning households were using those withdrawals, those RMDs, for daily living expenses. That means that a majority of people don't really need their RMDs or they aren't at least using those RMDs for their daily essential living expenses.

That's why today I want to discuss a couple of the RMD options that you may want to consider, to get you thinking, to get the ball rolling in your head, about a retirement income strategy for your future. We're going to start off with essential, your essential expenses. RMDs can be great for essential expenses. You have to withdraw them anyways, so why not use them for your essential expenses, things that you need paid for, things that you need covered?

There are some things I want you to consider when it comes to essential expenses. You may want to consider an annuity or other life insurance options that have lifetime income so that way you can have that reliable, stable, predictable, guaranteed income. We don't have to worry about those essential expenses. So that's essential.

Let's move on to discretionary. Now, you may have some discretionary income that's coming up in the future that you want to plan for, and RMDs again can provide a great stream of income to handle those discretionary expenses in the future. You may also want to consider or fund a qualified longevity annuity contract. Those can be great products, a great mechanism to fund future expenses.

Lastly, legacy. If you want to provide a legacy, RMDs are a great tool for legacy. They can provide you with life insurance. Those RMDs could pay for life insurance that could pass on to the next generation. You could purchase universal, index universal, whole life. You could purchase policies with second-to-die options on them so you could further leverage that RMD with a spouse.

And finally, if you don't need the money whatsoever and you like to donate to charities, you may want to consider directly transferring that RMD to the charity of your choosing. If you can meet certain requirements, you can make a qualified charitable distribution directly from your traditional IRA to the charity of your choosing up to \$100,000. The great thing about that is you could, that distribution, that 100K distribution, say you went right up to the max, that would be income

tax-free to the charity of your choosing. It also counts towards your RMD for that year.

Now, these were just a few ideas about RMDs. If you haven't thought about your retirement income strategy yet, I strongly urge you to connect with your financial professional. They're the ones that are going to be able to help you identify if there's any income gaps in your essential discretionary needs and they can help you discuss what you should do with your RMDs overall. Thank you, and we'll see you again next time on Money Script Monday.