

# Required Minimum Distributions: The Basics

You spend years working hard and planning carefully for retirement. You know pre-tax retirement accounts, like IRAs, allow you to save money and grow it tax deferred.

Unfortunately, you can't avoid those taxes indefinitely. The year you turn 72, the tax law mandates you take a required minimum distribution (RMD) – whether you need the money or not.

## The ABCs of RMDs

**R** The tax code requires that you begin taking income from your IRA the year you turn 72. Skipping it results in a hefty penalty payable to the IRS.

**M** The minimum amount you must take each year is calculated based on the balance of your IRA accounts, your age, and the age of your spouse.

**D** This distribution of money must go to the IRA owner, designated beneficiary, or a qualifying charity.

## The Impact

1. When you take an RMD for yourself, you need to pay taxes on the distribution.
2. Because your RMD adds to your adjusted gross income (AGI), it could push you to a higher tax bracket.

3. If the RMD pushes your AGI above \$88,000 (single) or \$176,000 (married filed jointly), you'll have to pay the high-income surcharge on your Medicare premiums.

4. Your increased AGI could also mean more of your Social Security is taxable.



## An Alternative to RMDs: QCDs

If you don't need all of your RMD, there is a way to avoid some of these tax consequences: donate your RMD to charity.

To make the donation a non-taxable qualified charitable distribution (QCD), your IRA custodian must send the money directly to your parish or nonprofit of choice. Or, if you want to establish a perpetual charitable legacy during your lifetime, you can use QCDs to

build a permanent endowment that will support your parish or favorite charity forever.

Not yet 72? You can begin making qualified charitable deductions from your IRA the year you turn 70½.

## Talk to Your Professional Advisor

Your IRA is a powerful tool to leverage in your tax plan. But, there are some important nuances to consider. Be sure to talk to your financial advisor when making plans.

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