



# Pension Fund

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## 2020 Fact Sheet: Required Minimum Distributions Traditional Individual Retirement Account (IRA)

This fact sheet explains Pension Fund's policies and procedures for calculating and distributing required minimum distributions (RMDs) to owners of a Pension Fund Traditional Individual Retirement Account (IRA). Traditional IRAs are required to comply with the RMD rules under Section 408(a)(6) of the Internal Revenue Code.

**DEPENDING ON YOUR AGE, RECENT CHANGES IN THE LAW MAY AFFECT THE DATE ON WHICH YOU MUST BEGIN TO TAKE DISTRIBUTIONS FROM YOUR TRADITIONAL IRA. IT IS IMPORTANT THAT YOU CAREFULLY REVIEW THE FOLLOWING INFORMATION TO DETERMINE IF THESE CHANGES IMPACT YOU.**

### GENERAL INFORMATION

Federal law requires Traditional IRA owners to begin receiving distributions from their IRA in certain minimum amounts by specified dates. If you are an IRA owner, you must begin receiving RMDs as follows:

<b>If you were age 70 ½ (or older) <u>before</u> January 1, 2020:</b>	<b>If you were <u>NOT</u> age 70 ½ (or older) <u>before</u> January 1, 2020:</b>
You must receive your first RMD by April 1 of the calendar year following the calendar year in which you reach <b>age 70 ½</b> .	You must receive your first RMD by April 1 of the calendar year following the calendar year in which you reach <b>age 72</b> .

After your first RMD, you must receive an RMD by the end of each year until your entire IRA has been distributed. The penalty for not doing so is severe. If you do not receive a distribution that satisfies these minimum requirements, you must pay a nondeductible 50% tax on the amount that you should have, but did not, receive. Distributions from your account under the Tax-Deferred Retirement Account or any other employer plan do not satisfy the distribution requirements for your IRA. It is your responsibility to make certain that a RMD is timely distributed to you.

**In light of the recent changes to the law, here are examples of how the timing rules for RMDs may apply to you:**

- If you reached age 70 ½ in 2019, you must receive your first RMD by April 1, 2020, to satisfy the requirement for 2019.

- If you reach age 70 ½ in 2020 (or in a later year), you must receive your first RMD by April 1 of the calendar year following the calendar year in which you reach age 72.

**Due to the recent law change, no IRA owner will be required to begin RMD payments for calendar year 2020.** However, if 2019 was your first year for an RMD, you had the opportunity to choose to receive the 2019 RMD in 2019 or 2020 (by April 1, 2020). If you elected to delay your first RMD until 2020, you also must receive a second RMD by December 31, 2020, to satisfy the requirement for 2020.

**Note:** If you are age 70 ½ (or age 72 with respect to IRA owners who reach age 70 ½ after December 31, 2019) – *whether or not you are still working* – the RMD rules for IRAs apply to you.

## SATISFYING THE RMD REQUIREMENTS

To help you satisfy the RMD requirements for IRAs, Pension Fund calculates the amount of your RMD from each of your Traditional IRAs and mails you a personalized statement each year. The statement shows the assumptions used to calculate your RMD and provides other information. Your Roth IRAs are not subject to RMD requirements during your lifetime.

### Your RMD Calculation

The amount of your RMD is calculated by dividing your Traditional IRA account balance as of the prior December 31 by your life expectancy. Life expectancy is the length of time the Internal Revenue Service (IRS) expects an individual to live.

Except in certain circumstances discussed below, Pension Fund uses the Uniform Lifetime Table to determine RMDs for IRA owners regardless of your marital status or whether or not you have designated a beneficiary. For your calculation each year, Pension Fund uses the life expectancy factor corresponding to your age on your birthday in that year.

UNIFORM LIFETIME TABLE			
Age	Factor	Age	Factor
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1

88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 & older	1.9

**EXAMPLE 1**

Assume you reached age 70 ½ on September 1, 2019. You must receive your first RMD by April 1, 2020, to satisfy the RMD requirement for 2019. Because you are age 70 in 2019, the calculation will be based on the life expectancy factor corresponding to age 70, which is 27.4. Assume you have an IRA balance of \$100,000 on December 31, 2018. Your RMD for 2019 (due by April 1, 2020) will be:

12/31/2018 balance .....	\$100,000
Uniform Lifetime Table factor .....	<u>      /      27.4</u>
<b>2019 RMD .....</b>	<b>\$3,649.64</b>

Assume that this amount is distributed to you by April 1, 2020. You must receive your second RMD by December 31, 2020. Your second RMD will be calculated using the factor corresponding to your age in 2020 (age 71), which is 26.5. Assume your TDRA balance on December 31, 2019 is \$97,226.26. Your RMD for 2020 (due by December 31, 2020) will be:

12/31/2019 balance .....	\$97,226.26
Uniform Lifetime Table factor .....	<u>      /      26.5</u>
<b>2020 RMD .....</b>	<b>\$3,668.92</b>

**DUE TO THE RECENT LAW CHANGE – IF YOU REACH AGE 70 ½ IN 2020, NO RMD PAYMENT WILL BE REQUIRED FOR CALENDAR YEAR 2020. INSTEAD, YOUR FIRST RMD PAYMENT WILL BE REQUIRED FOR THE CALENDAR YEAR IN WHICH YOU REACH AGE 72 (AND MUST BE MADE BY APRIL 1 OF THE FOLLOWING CALENDAR YEAR).**

**Beneficiary Designations**

In most cases, RMD calculations are based on the factors in the Uniform Lifetime Table. However, there is an exception if your sole designated beneficiary for the entire tax year is your spouse who is more than 10 years younger than you. In this case, your RMD will be calculated using the IRS Joint and Last Survivor Table, based on the joint life expectancy factors for both you and your spouse. This will result in a lower RMD payment. If Pension Fund does not have your spouse's date of birth on record, we will calculate your RMD using the Uniform Lifetime Table.

## EXAMPLE 2

Assume the same facts as Example 1, except that your spouse is your sole designated beneficiary and is age 55 in 2019. Your RMD for 2019 (due by April 1, 2020) will be:

12/31/2018 balance .....	\$100,000
Joint and Last Survivor Table factor .....	/ 31.1
<b>2019 RMD .....</b>	<b>\$3,215.43</b>

If you have not designated a beneficiary and want to do so, you must complete and return a *Beneficiary Designation Form*. This form can be found at [www.pensionfund.org/forms](http://www.pensionfund.org/forms) or you may request a copy from Pension Fund.

### Multiple IRAs

If you have more than one Traditional IRA with Pension Fund, a RMD will be calculated on and distributed from each separate IRA. You may instead ask to have your entire RMD distributed from a specific IRA by completing a *Traditional IRA Application for Required Minimum Distribution*. This form can be found at [www.pensionfund.org/forms](http://www.pensionfund.org/forms) or you may request a copy from Pension Fund. The RMD rules do not apply to any Roth IRA you may have with Pension Fund during your lifetime.

### Default RMD Payment Schedule

As noted above, due to recent changes in the law, no IRA owner will be required to begin RMDs in 2020. For IRA owners who were required to begin RMDs prior to 2020, after the first RMD, Pension Fund will automatically make the RMD to you in November of each year, unless you make an election to receive your RMD in a different form or time.

## IRA OWNER PAYMENT OPTIONS

IRA owners may satisfy their RMDs in one of the following ways:

1. Elect to receive annual distributions from your IRA equal to your RMD for each year. Complete and return *Traditional IRA Application for Required Minimum Distributions*.
2. Elect to receive installment payments from your IRA each year. Note that unless the installment payment is equal to or greater than your RMD for a year, Pension Fund will distribute any additional amount needed to satisfy your RMD in November of that year. Complete and return *Traditional IRA Application for Installment Payments*.
3. You always have the option to elect to receive the equivalent of your RMD as a lump sum payment. Complete and return *Traditional IRA Application for One-Time Distribution/Transfer*.

These forms can be found at [www.pensionfund.org/forms](http://www.pensionfund.org/forms) or you may request a copy from Pension Fund.

**Please note:** Unless you make an affirmative election to receive your Traditional IRA in one of the above ways, Pension Fund will follow its default process for distributing RMDs.

### **Installment Payments and Other Distributions**

If you are taking installment payments from the IRA, or if you take a lump sum distribution from the IRA, you may automatically satisfy or reduce your annual RMD. If Pension Fund records show that you have received prior distributions during the year, at the end of the year we will compare the total distributed during the year with your RMD and distribute only the remaining amount you need to satisfy the RMD for that year, if any.

## **SURVIVING BENEFICIARIES**

When you die, distributions to your beneficiaries must also satisfy the RMD rules. Different RMD rules apply depending on who you designate as your beneficiary. If your designated beneficiary is your surviving spouse, your minor child, or disabled or chronically ill, or if your beneficiary is not more than ten years younger than you, then Pension Fund will calculate RMDs using the life expectancy factors from the IRS Single Life Table. This may result in a different RMD amount than you received. If your spouse is your sole designated beneficiary, then he or she may instead elect to treat your IRA as his or her own IRA, in which case the RMD rules will apply to your spouse as an IRA owner, not a beneficiary.

## **FEDERAL INCOME TAX WITHHOLDING**

RMDs are not eligible for rollover. Except for a qualified charitable distribution (see below), you will owe federal income taxes on the part of the distribution that you must include in income (this includes deductible contributions and earnings). By law, Pension Fund is required to withhold 10% of the distribution for federal income tax purposes, unless you either request more or no withholding. If you requested more or no withholding for the prior year's RMD payment, Pension Fund will continue to follow that election unless you make a new election this year.

Your options for federal tax withholding on your RMD are as follows:

1. Withhold 10%, the default withholding if you make no election (and do not have a previous election in place).
2. Elect to not withhold taxes.
3. Elect an additional dollar amount above the 10% withholding.

### EXAMPLE 3

Assume you want 15% withholding on your RMD. You would calculate the additional dollar amount as follows:

RMD for 2020 = \$2,432.00

10% Tax Withholding = \$243.20

15% Tax Withholding = \$364.80

Difference = \$121.60

You would need to write the difference (\$121.60) in Section IV of the *Traditional IRA Application for Required Minimum Distributions* or in Section II of the *Substitute Form W-4P for RMDs*, as follows:

Pension Fund will withhold 10% on each distribution, unless you elect more withholding or no withholding from your distributions (*check one only*):

Do NOT withhold federal income tax from any distribution.

Additional dollar amount above 10%, if any, you want withheld from each distribution: \$121.60.

## STATE INCOME TAX WITHHOLDING

You may also owe state income taxes on the amount distributed. You will need to complete and return the state tax withholding certificate for your state of residence. If you do not return a completed certificate for your state, Pension Fund will apply your state's default tax withholding rules. If you reside in a state that requires mandatory withholding, Pension Fund will withhold the required amount. The following states currently mandate state income tax withholding: Arkansas, California, Connecticut, Delaware, Georgia, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Nebraska, North Carolina, Oklahoma, Oregon, Vermont, and Virginia, as well as the District of Columbia. For more information, refer to the state tax withholding form at [www.pensionfund.org/forms](http://www.pensionfund.org/forms) or request a copy from Pension Fund.

**Note:** *In some states, if federal income tax withholding is elected, state income tax must also be withheld. Pension Fund recommends that you consult a tax or financial advisor regarding the state income tax withholding rules that apply to you.*

## QUALIFIED CHARITABLE DISTRIBUTIONS

You may direct that all or part of your RMD be contributed to a charitable cause in a non-taxable transfer by taking a qualified charitable distribution (QCD) from your Traditional IRA. A QCD is a distribution made directly by Pension Fund from your IRA to an organization eligible to receive tax-deductible contributions. You must be at least age 70 ½ when the distribution is made, and the distribution must otherwise be includible in your gross income. The amount of the QCD that is excluded from your gross income is limited to \$100,000 annually and will be reduced by your deductible contributions to the IRA for any year beginning with the year you reach age 70 ½. To

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the extent that a QCD is not included in your income, it is also not deductible on Schedule A of your income tax return. If you wish to make a QCD, complete and return *IRA Application for Qualified Charitable Distribution*, available at [www.pensionfund.org/forms](http://www.pensionfund.org/forms).

### **Tips for Processing Your RMD**

Read all forms carefully and complete according to the instructions on the form. Forms not completed accurately may not be processed according to your instructions.

When filling out and submitting forms to Pension Fund, please do not include special instructions. Special requests must be submitted separately and in writing.

## QUESTIONS?

### **Contact Pension Fund if:**

- you have questions about your IRA; or
- you want to change your designated beneficiary.

If you have specific questions about your personal financial situation, you should consult an accountant or tax advisor. Pension Fund does not provide tax advice.



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