

RMDs Return for 2021

After being suspended for 2020 via the CARES Act, required minimum distributions (RMD) are back for 2021.

RMDs are required for everyone with a traditional IRA or employer-sponsored plans like 401(k)s or Roth 401(k)s starting at age 72. If you're turning 72 in 2021, you have until April 1, 2022, to make your RMD. But in each subsequent year, you'll need to take your RMD by December 31. So that means if you delay taking your first RMD until April 1, you'll have two withdrawals in 2022 and that could create a higher tax liability.

RMDs are taxable, so plan to have taxes taken out of your distribution to avoid underpayment penalties.

Failing to take your RMD by the due date comes with a 50% penalty. And if you don't need the money, consider investing the distributions in a taxable account for continued growth or giving the RMD to a qualified charity.

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