Don’t Need Your Required Minimum Distribution (RMD) Just Yet? Here's What You Can Do with the Cash Influx

For many retirees, 73 is the magic age -- the time they must begin withdrawing required minimum distributions (RMDs) from their retirement accounts. Retirees born in 1960 or later have until 75 to start taking RMDs. However, what do you do if you don't *need* the money just yet? Here are five ideas.

1. Reinvest

There's no rule saying you can't withdraw funds from your retirement accounts and immediately reinvest them elsewhere. Here are some popular options:

- Dividend stocks and ETFs
- Real estate investments
- Municipal bonds
- Taxable brokerage accounts

2. Make a qualified charitable contribution (QCD)

If you're 70-and-a-half or older and must take an RMD from a traditional individual retirement account (IRA), you can arrange for it to be directly donated to a qualified 501(c)(3) organization of your choice. Not only will you feel good about your decision, but you'll also:

- Enjoy a tax break since the amount donated is excluded from taxable income.
- Fulfill some or all of your RMD requirements for the year.

3. Convert to a Roth IRA

If you're withdrawing money from a pre-tax retirement account, like a 401(k), consider the benefits of converting that money to a Roth IRA. It's important to remember that you'll need to pay taxes on any pre-tax withdrawals, and Roth IRA contributions are subject to income limits. Still, you may find the benefits outweigh those two points. There are several benefits associated with converting cash from a pre-tax account to a Roth IRA, including:

- Your withdrawals from a Roth IRA are tax-free.
- Roth IRAs have no RMDs.
- Roth IRAs can be passed to heirs tax-free.

4. Purchase life insurance

It's easy to think of life insurance as something you only need during working years when the loss of your income would be detrimental to the people you love. However, have you considered how a life insurance policy might come in handy for your loved ones after you die? Here are some of the reasons retirees purchase life insurance:

- Cover final expenses
- Pay off debt after your death
- Leave money to family or charity
- Help beneficiaries pay inheritance taxes or any other expense they may run into after you're gone

5. Plan for the worst

As well-established as you may be in retirement, you never know what's around the corner. It may be something as simple as a storm that blows through your area and takes part of your roof or something as scary as a serious medical issue. In either case, you'll need money. Unless you have a large emergency savings account, consider using spare RMD dollars to stuff into that emergency fund.

Who knows? You may get several years down the road, realize you have far more than necessary in emergency savings, and make a new plan for the cash. In the meantime, you know you've got yourself (and whatever may come your way) covered.

Written By Dana George for The Motley Fool - published May 18, 2025