



# Required Minimum Distributions (RMDs)

The accounts you can use to save for retirement include employer-provided accounts like a 401(k) or 403(b). Other options include personal retirement savings accounts like individual retirement accounts (IRAs). No matter which type of account you use, it is important to know if the account is a 'traditional' (pre-tax) account or 'Roth' (after-tax) account.



Choosing which accounts to use to save for retirement depends on your situation. Whether you choose to save in a 'pre-tax' account or an 'after-tax' account may depend on the accounts you are eligible to use and if you would like a tax deduction on the retirement savings you make that year. A tax deduction on your retirement savings may allow you to not pay income taxes on the savings in the year you save it.

So, if you save in a 'pre-tax' account, then you can receive a tax deduction for the savings that year. However, you will pay income tax when you withdraw money from the account. On the other hand, if you save in an 'after-tax' account then you will not receive a tax deduction for the savings that year. So, you will not have to pay income tax when you withdraw from the account.

You should know that if you use a 'pre-tax' account, the federal government will require you to withdraw money from the account when you reach a certain age. These

mandatory withdrawals are called 'required minimum distributions', also known as RMDs.

**When do I need to take required minimum distributions?** Currently, the Internal Revenue Service (IRS) requires people with 'pre-tax' retirement savings to take an RMD at age 73 (will be age 75 in the future). However, people who are aged 73 or older that continue to work and save money in their employer-provided retirement account can delay taking RMDs until the year they retire. ([IRS](#))



**How much will my required minimum distribution be?** This depends on the amount of money in your 'pre-tax' retirement accounts. You should contact the financial firm/s that hold your 'pre-tax' retirement account/s and confirm the amount of your RMD. For informational purposes, you can use the calculator at the link below to learn the amount of your required minimum distribution.

<https://www.investor.gov/financial-tools-calculators/calculators/required-minimum-distribution-calculator>

You can talk about planning resources for your required minimum distributions, and other financial topics, with your county's financial educator. Visit <https://counties.extension.wisc.edu/> for more information.