IN A NUTSHELL

After reaching age 70½, retirement account holders are generally required to start withdrawing a minimum amount of money each year based on their life expectancy. Failure to do so results in a 50% IRS penalty on the amount that should have been removed.

WHAT IS IT?
A required minimum distribution (RMD) is the minimum amount that retirement account owners must withdraw from their IRAs or employer retirement plans on an annual basis, after reaching age 70½. Since assets cannot stay in a tax-deferred retirement account indefinitely, the IRS requires a minimum amount be distributed each year.

HOW DOES IT WORK?
There are two important rules retirement account owners must follow regarding a RMD:

1. The required beginning date (The date you must begin taking distributions)
   - For IRA accounts (Traditional, Rollover, SEP, and SIMPLE): The beginning date is no later than April 1 of the year following the year in which the account owner reaches age 70½.¹
   - For 401(k), 403(b), Profit Sharing, or other defined contribution plans: The beginning date is no later than April 1 following the later of the year in which the account owner reaches age 70½, or retires. Exception: If the account holder owns 5% or more of the business sponsoring the plan, he/she must start RMDs by April 1 of the year following the year in which he/she reaches age 70½.¹

2. The minimum distribution amount
   Distribution amounts are calculated annually using a specific formula and are taken over a period of time that does not exceed a life expectancy assumption (found in the life expectancy tables in IRS Publication 590-B).

Calculating your RMD
Generally, the RMD amount is calculated by dividing the account balance on December 31 of the prior year (the fair market value) by a life expectancy factor from IRS Publication 590-B:

\[
\text{RMD} = \frac{\text{Account balance on 12/31 of prior year}}{\text{Life expectancy factor}}
\]

Different life expectancy tables are used to determine the life expectancy factor, depending on the account beneficiary.

Note: For each subsequent year after the required beginning date, RMD withdrawals must be taken annually by December 31.

Have questions or need help? Call 1-877-921-2434

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Understanding required minimum distributions

E*TRADE’s RMD Calculator
Calculate required distributions for those age 70½ and over.
Visit etrade.com/rmdcalculator

WHO IS SUBJECT TO AN RMD?

• Traditional IRA account owners who have reached age 70½.

• Qualified plan account owners who are age 70½, less than 5% owners of, and no longer employed by, the company sponsoring the plan.

• 5% or more business owners who are age 70½ and participate in a qualified plan sponsored by their company.

IMPORTANT FACTS AND CONSIDERATIONS

• The RMD amount will change every year (since age, life expectancy, and account balance will change), and needs to be recalculated annually.

• The RMD amount must be withdrawn in the year it is required to be distributed. Excess distributions may not be carried over to future years.

• For each subsequent year after the required beginning date, the RMD must be withdrawn by December 31.

• The first year the account owner is required to take an RMD, they may delay the first withdrawal until the following year. If so, they will need to take two withdrawals in the following year, the first one by April 1 (for the prior year) and the second one by December 31 (for the current year).

• If the deadline for withdrawing an RMD is missed, a penalty of 50% of the difference between what was required to be withdrawn and what was actually withdrawn may apply.

GET EASY ACCESS TO YOUR FUNDS

• See RMD calculations with the E*TRADE RMD Calculator (etrade.com/rmdcalculator).

• Ability to set up recurring RMD withdrawals that are distributed automatically every year on the day the account owner chooses via check, ACH, or transfer to a linked E*TRADE brokerage or bank account on a monthly, quarterly, semi-annual, or annual basis.

• Instant withdrawals from the IRA account by check, debit card, and bill pay with an E*TRADE Complete™ IRA. All withdrawals will go towards satisfying the annual RMD.

HOW TO GET STARTED

• Complete the online IRA Distribution Request form at etrade.com/onlinedistribution. We can calculate the RMD and:
  - Send the required distribution via check, wire, or ACH; or
  - Transfer the funds to a linked E*TRADE brokerage or bank account; or
  - Set up recurring payments to automatically distribute the RMD every year on the date the investor chooses

• If the account owner has multiple retirement accounts, consider consolidating. This will make calculating and tracking distributions easier.

• Consider upgrading a current E*TRADE IRA to an E*TRADE Complete™ IRA at no additional charge to add checkwriting, debit card, and bill pay to the IRA account.

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Frequently asked questions

Q: Can I avoid taking an RMD?
A: If you are subject to an RMD, you have to withdraw the RMD in the current year, but you can convert your remaining IRA balance to a Roth IRA and avoid taking future RMDs. You’ll be required to pay taxes on the converted amount, but any future growth in a Roth IRA is tax-free after five years.

Q: If I have multiple accounts, how should I take my RMDs?
A: It depends on the retirement account type that you have:

- If you have multiple IRA accounts (except for a Roth IRA), you must calculate your RMD separately for each account annually. You may then withdraw an appropriate amount from each account. Or you may aggregate the RMD amount for all of your IRAs and withdraw the total from one account or a portion from each of your IRA accounts.

- If you have a Roth IRA, you are not required to take an RMD.

- If you have multiple defined contribution accounts (such as 401(k), Profit Sharing, etc.), you must calculate your RMD separately for each account annually and withdraw the amount from each account separately. Exception: If you have multiple 403(b) accounts, you can total the RMDs and take them from any one or multiple 403(b) accounts.

Q: If I have multiple accounts, how should I take my RMDs?
A: It depends on the retirement account type that you have:

- If you have multiple IRA accounts (except for a Roth IRA), you must calculate your RMD separately for each account annually. You may then withdraw an appropriate amount from each account. Or you may aggregate the RMD amount for all of your IRAs and withdraw the total from one account or a portion from each of your IRA accounts.

- If you have a Roth IRA, you are not required to take an RMD.

- If you have multiple defined contribution accounts (such as 401(k), Profit Sharing, etc.), you must calculate your RMD separately for each account annually and withdraw the amount from each account separately. Exception: If you have multiple 403(b) accounts, you can total the RMDs and take them from any one or multiple 403(b) accounts.

Note: You are not able to aggregate your IRAs and any qualified employer-sponsored plans and withdraw one RMD.

Q: Can I make contributions to my account if I am taking RMDs?
A: No. You are not allowed to contribute to a retirement account from which you are required to take RMDs.

Q: When am I considered to have reached age 70½?
A: You reach age 70½ on the 6th calendar month after your 70th birthday.

- Example 1: If you are retired and your 70th birthday was June 29, 2016, you reached age 70½ on December 29, 2016, which is before the end of 2016. This means that you must take your first RMD (for 2016) by April 1, 2017.1

- Example 2: If you are retired and your 70th birthday was July 29, 2016, you reached age 70½ on January 29, 2017. You do not have an RMD for 2016. You must take your first RMD (for 2017) by April 1, 2018.1

Q: Can I roll over my RMD into a different retirement account?
A: No. You may not roll over or deposit your RMD into another retirement account. You may, however, transfer your RMD to a non-retirement brokerage or bank account.

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Understanding required minimum distributions

PLEASE SEE IMPORTANT DISCLOSURES BELOW.

E*TRADE Financial Corporation and its affiliates do not provide tax advice, and you always should consult your own tax adviser regarding your personal circumstances before taking any action that may have tax consequences.

The E*TRADE Financial family of companies provides financial services including trading, investing and banking products and services to retail customers.

Securities products and services offered by E*TRADE Securities LLC, Member FINRA/SIPC.

1. Although the beginning date of your first RMD should be no later than April 1 of the year following the year you turn 70½, your first distribution may occur on or before December 31 of the year you turn 70½.

2. All withdrawals from IRA accounts will be considered distributions and reportable on form 1099R. You must include all amounts you receive from the IRA in your gross income except amounts attributed to non-deductible contributions and amounts rolled back into an IRA or qualified plan. Federal and state income tax will not be withheld from these payments and it is your responsibility to make estimated tax payments if necessary. You expressly assume the responsibility for any adverse consequence that may arise from an IRA withdrawal and agree that E*TRADE Securities shall in no way be held responsible. E*TRADE Financial Corporation and its affiliates do not provide tax advice, and none of this information should be construed as tax advice. Before acting on any information, consult your own accountant or tax advisor.

Individual, joint and custodial accounts are eligible for the E*TRADE Complete™ Debit Card. In addition, certain IRA accounts are eligible if you are over age 59½. Not eligible are IRA accounts under age 59½, other retirement accounts, and business or investment club accounts.

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