



REQUIRED MINIMUM DISTRIBUTION (RMD) FAQs

If you are an owner of a Traditional IRA retirement savings account you know that you are required to take distributions from that account the year after you turn 70-1/2. M2 Trust Services has curated this list of frequently asked questions regarding RMDs. Please feel free to share this with your tax or financial professional.

What is a required minimum distribution (RMD)?

An RMD is the minimum amount that the IRS requires you to withdraw from your IRA each year, usually after you turn 70½. The exact amount changes from year to year based on a number of factors (see below).

Is a Traditional IRA the only type of account subject to an RMD?

RMDs apply to all Traditional, SEP and SIMPLE IRAs, whether they are self-directed or not.

When exactly do I need to start taking RMDs from my IRA?

In general, an IRA account owner is required to take the first RMD by April 1 of the year following the year you turn 70½. After that, each yearly RMD must be taken by December 31. For example, if you turn 70½ in 2018, you'll need to take your first RMD by April 1, 2019 and your next RMD by December 31, 2020.

How is an RMD calculated?

Your specific RMD is based on the IRA account balance as of December 31 of the year that precedes the year you're taking the distribution. That number is then divided by the amount indicated in the IRS's "Joint Life and Last Survivor Expectancy Table".

How do I take an RMD if I have multiple IRAs?

You must calculate the RMD for each account that you own, but you can withdraw the total amount from just one or more than one—as long as you take the total amount.

Will M2 Trust calculate and distribute my RMD for me?

M2 Trust can only help you calculate the RMD for the accounts you hold with us. Since we can't see the accounts you hold at other institutions, it is your responsibility to determine the total RMD amount for all of your accounts.

REQUIRED MANDATORY DISTRIBUTIONS

FAQs

- 2 -

Are RMDs taxable?

In most cases, IRA distributions are treated as taxable income. M2 Trust encourages you to review your tax obligations with your tax professional.

What if I don't take my RMD?

If you fail to take your RMD or if you take less than the minimum amount, you may be subject to a 50% excise tax on the amount not distributed as required. Review the RMD section of IRS Publication 590B for more details on penalties and taxes.

What if I only have real estate in my IRA?

First of all, remember that you must calculate RMDs for all of your IRA accounts and you can take the distribution from one or several of them, as long as the total distribution amount is taken. For "non liquid" assets such as real estate you may be able to take a "distribution in kind" based on the fair market value of the IRA-owned real estate.. The IRS will allow you to distribute part of the property to yourself via grant deed, which essentially means that your IRA owns part of the property and you personally own the part that's been distributed. Note: you will be responsible for taxes on the "in-kind" distribution amount.

What if I don't have enough cash in my self-directed IRA to cover the RMD?

If you don't have enough cash to cover the RMD in one IRA, you generally have three options to choose from:

1. Take the total RMD amount from cash in other IRA accounts.
2. Liquidate publicly traded assets (stocks, mutual funds, ETFs held in other accounts) in order to make the distribution.
3. Take a distribution in-kind.

M2 Trust Services encourages investors to review their IRA distribution requirements with their trusted tax and/or financial advisors.

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