

Required Minimum Distributions, usually shortened to RMDs, are one of those retirement rules that feel straightforward on paper, but get surprisingly tricky in real life. The reason is simple: the tax system is not designed around the way people actually retire. You might change jobs, roll accounts over, inherit assets, move states, or delay retirement for a year because of a family event. Those decisions intersect with RMD timing and calculation in ways that are easy to miss until tax season arrives.

This guide is meant to make the rules practical. I will focus on what RMDs are, when they start, how the math works at a high level, what happens with Roth accounts, and which situations most often trip people up. I will also include a short checklist of the tasks that tend to prevent costly mistakes.

What an RMD is, in plain terms

An RMD is the minimum amount [retirement planning services](#) you must withdraw from certain retirement accounts each year once you reach the required starting age. The withdrawals are taxable as ordinary income in many cases. The Internal Revenue Service uses RMDs to make sure tax-deferred savings eventually come back into the taxable system rather than sitting in the account indefinitely.

When you do not take the full required amount, the penalty can be severe. Historically, the penalty was a large percentage of the shortfall. Even if you later fix the mistake, the IRS expects you to address the issue with urgency and documentation. Because of that, the goal is not just “take something.” The goal is to take the correct minimum amount, on time, from the correct accounts, using the correct calculation.

Which accounts require RMDs

Most people encounter RMDs through traditional and employer-sponsored plans, not through Roth accounts. As a general rule:

- Traditional IRA and most workplace retirement plans that allow pre-tax contributions are subject to RMDs.
- Roth IRA is generally not subject to RMDs during the original owner’s lifetime, though that changes for inherited Roths.
- Roth 401(k) accounts are treated differently depending on whether you are the original owner and the exact plan rules.
- Inherited retirement accounts have their own framework, which can include RMDs but under different rules than those for owners.

Because account types matter, the most practical approach is to identify, for each account you own, whether it is in the “RMD required” bucket for your situation. If you have multiple account types, you may be juggling different distribution obligations in parallel.

When RMDs begin: the key timing concept

The “when” is where people get tripped up. RMDs start based on your age and, in employer plan cases, sometimes based on whether you are still working.

For traditional IRA owners, the starting point is generally tied to age. For many years, the required starting age was commonly referenced as 70 and a half, then moved to 72, and it changed again with later legislation. Because

the rules have evolved, you should not rely on a memory from a previous decade. Use the year you turned the relevant age as your anchor, not a personal recollection.

For employer-sponsored plans (like a 401(k)), there is sometimes an exception if you are still employed with that employer and the plan allows it, but this is not universal and can have nuances depending on your ownership stake and plan documents. In practice, many employees discover they still need to take distributions from other accounts they own even while the employer plan might be treated differently.

The two deadlines that matter

Most years, RMDs are due by December 31. There is also a special “first year” rule that often allows a delayed deadline for the initial RMD, but using it can create a double-distribution problem the following year.

Here is the trade-off that tends to matter for real people:

- If you delay the first RMD, you may have to withdraw both the “catch-up” first-year amount and the regular next-year RMD by December 31 of the second year.
- If you take the first RMD earlier, you spread taxable income more evenly but reduce the flexibility.

There are good reasons to delay in some tax planning scenarios and good reasons to avoid delay in others. If your income is already high, the idea of doubling withdrawals might be painful. If you are in a lower-income year, the extra flexibility might be valuable. The right choice depends on your expected income, your other deductions, and how stable your tax bracket will be.

How the RMD amount is calculated

At a high level, the RMD calculation is an IRS formula that uses:

1. Your account balance as of a specific valuation date, and
2. A life expectancy factor from an IRS table, based on your age and sometimes your spouse’s age if they are more than 10 years younger.

The details vary depending on account type and whether you use single-life, joint-life, or other tables. Financial institutions usually run the calculation for you for many standard scenarios, but you should still understand the logic well enough to verify the output.

Valuation date: where the number is pulled from

The most common approach uses the account balance on December 31 of the prior year. That means the amount can change based on market performance throughout the year. In down markets, your RMD might be smaller. In strong markets, your RMD can rise.

A practical point: If your accounts are held at different institutions, you will need to ensure the balances used in calculations align with IRS rules and with the custodian-provided RMD estimates. Statements sometimes show multiple “balance types” (current value, available cash, or net of trades in progress). Your custodian should use the correct “as of December 31” value, but it is worth checking the details of what they report.

Aggregation and distribution location

Many traditional IRA owners can aggregate RMDs across multiple IRAs, meaning they can calculate one combined required amount and then take withdrawals from one or more IRAs. Workplace plans, especially if you have multiple employers, can be different because each plan may require separate handling.

This is another area where the “rules made simple” goal has to acknowledge reality: some aggregation is allowed, some is restricted, and inherited account rules generally do not work the same way as owner accounts.

Roth accounts: the most misunderstood piece

Roth IRAs are the classic exception. The original owner generally does not have RMDs during their lifetime. That means you can often let a Roth IRA continue to grow tax-free for as long as you want.

But Roth accounts get complicated in two common situations:

1. Roth 401(k) or similar workplace Roth accounts may have different treatment than Roth IRAs, depending on plan design and the distribution rules that apply to the plan.
2. Inherited Roth accounts, including inherited Roth IRAs, can require distributions. The rules depend heavily on the beneficiary type and the year of death.

In everyday conversations, the phrase “Roth never has RMDs” is too broad. I prefer a more careful mindset: Roth IRAs are often exempt for the original owner, but inherited Roths and some workplace Roth structures can still trigger distribution obligations.

Spousal situations: life expectancy factors and special planning

If you are married and your spouse is significantly younger, the IRS tables may allow you to use a joint-life expectancy framework that can reduce the required distribution in some circumstances. That can be a meaningful tax difference.

This is one of those planning areas where the custodians may apply the correct method only if you provide the right information. It is easy to assume “they will figure it out” and then discover late that the calculation used a less favorable table. That is why it is worth reviewing the RMD worksheet or the IRS life expectancy method your custodian used, at least in your first year.

A lived example (the kind that happens every season)

A client once told me they assumed their RMD was handled automatically. The custodian calculated an RMD that was higher than expected. When we reviewed the inputs, it turned out the spouse’s age and the relevant joint-life method were not applied the way they should have been. The client could correct the calculation, but it added extra steps and stress during a time when the calendar is already tight. The takeaway was not “custodians make mistakes” so much as “custodians follow forms and defaults, and you are responsible for the inputs.”

What if you miss an RMD?

People miss RMDs for reasons that range from simple oversight to complex account transitions. Jobs change. Rollovers get delayed. A custodian changes systems. Someone forgets that the first-year deferral rule creates a two-year requirement in the following year. And sometimes, the wrong person assumes the “other person” will handle it.

The IRS penalty for a shortfall has historically been significant. However, the IRS has processes that allow penalty relief in certain circumstances if you can show reasonable cause and you correct the mistake in a timely manner. In practice, that often involves filing paperwork and documenting your efforts to comply.

The practical advice is straightforward: if you realize the shortfall, do not wait for “next year.” Work quickly. Contact the custodian to understand what happened, calculate the shortfall, and take corrective distributions. If your

situation is complex, it may be worth involving a tax professional, not because RMD rules are always impossible, but because the penalty framework and relief process are legal and procedural.

RMDs and taxes: how distributions show up in your life

RMDs are generally taxable as ordinary income for traditional IRAs and most pre-tax retirement accounts. That means they can affect:

- Your federal income tax bracket
- Your state income tax (if applicable)
- Potential taxation of Social Security benefits
- Income-based Medicare premium calculations
- Eligibility for deductions and credits that phase out at certain income levels

If you are nearing retirement, you may notice that RMDs can “turn on” taxes even if your earned income is lower. It is not unusual for people to feel like they did everything right, only to be surprised by how quickly taxable income rises when they begin distributions.

Planning when your income is already high

If your income is already near a bracket edge, an RMD can push you over. Some people respond by withholding extra taxes during the distribution. Others convert to Roth in other years, or they rebalance assets and manage capital gains to avoid stacking income sources.

Because RMDs arrive on top of your regular life, tax planning is often about timing rather than about skipping distributions entirely. You generally cannot avoid the RMD, but you can sometimes influence how it fits into your overall tax picture.

Strategies that can make RMDs less painful

There is no magic legal workaround that eliminates RMDs across the board. But there are strategies that can reduce the tax impact or provide cash flow flexibility.

Manage assets inside the account

If your account holds assets that are illiquid or sensitive to market timing, you may face forced selling. Many retirement accounts allow you to move money inside the account, but exchanges may have deadlines or restrictions.

For example, if a brokerage position is concentrated in a single stock and you know you need to withdraw a certain dollar amount soon, you can consider whether you want to rebalance throughout the year rather than being forced to sell at the last minute. This is about investment management and sequencing, not about avoiding the RMD.

Use qualified charitable distributions when they fit

Qualified charitable distributions (QCDs) allow some IRA owners to donate directly to an eligible charity and count the distribution toward their RMD. This can reduce taxable income relative to taking the distribution directly into your own income.

Not everyone qualifies, and there are annual limits. But for those who are charitably inclined, it can be one of the most effective options because it converts a tax event into a charitable outcome. The key is doing it correctly, with documentation that the custodian can support.

Consider Roth conversions, but watch the timing

Some people use years before they start RMDs to perform Roth conversions. The goal is often to “fill up” lower tax brackets while they still have flexibility. Once RMDs begin, the level of taxable income increases, and it can become harder to convert at favorable rates.

Roth conversions are also sensitive to your cash flow. Converting means you might owe tax out of pocket even though the Roth conversion itself is not taxed again when withdrawn later. That can be a cash management issue, not just a tax rate issue.

Common edge cases that deserve extra attention

RMDs become more complicated when your situation deviates from a single, uncomplicated IRA owned for decades. Here are scenarios that often require a second look, sometimes with a quick call to the custodian.

Multiple accounts and different custodians

Your RMD calculations might be straightforward for each custodian, but your overall tax picture is not. If you have multiple traditional IRAs, you may be able to aggregate the distribution requirement for IRAs, but the actual cash withdrawals can be coordinated at your chosen institutions. Without a plan, you might accidentally over-withdraw from one account while still meeting the minimum requirement, simply because each custodian generated an RMD that assumed you would not aggregate.

Rollovers and account timing

If you roll traditional IRA assets into another IRA or consolidate accounts, you want to ensure the valuation date and calculation method are still correct. Custodians handle many transitions well, but the calendar matters. A late rollover can create confusion about which account held the balance as of December 31.

Inherited accounts

If you inherited an IRA or qualified plan, your required distributions follow beneficiary rules that can differ substantially from owner RMD rules. The “required minimum distribution” label may appear, but the timing and calculation framework is not the same.

If you inherited accounts, it is worth focusing on the specific beneficiary category and the applicable distribution schedule, rather than trying to apply owner rules.

A practical checklist for handling RMDs without drama

The goal here is to reduce the chance of missing an amount or taking the wrong type of withdrawal. This checklist assumes you are an account owner who needs to take RMDs under the standard framework.

- Confirm which accounts are subject to RMDs in your situation, including any traditional IRA and pre-tax workplace plan accounts.
- Identify your relevant distribution deadlines for the year, especially whether you are dealing with a first-year RMD timing rule.

- Verify the account balance the custodian used for the calculation, typically the prior year end value.
- Check the life expectancy method and inputs applied by the custodian, particularly if you are using a spouse-related table approach.
- Decide your tax and cash flow approach early, including whether to plan for withholding, potential charitable distributions, or additional distributions for liquidity.

This is the type of work you ideally do in the early part of the year. By the time December arrives, you can be stuck reacting to numbers that were already locked into your account valuation.

What to expect from your custodian and where to stay involved

Most major custodians generate RMD amounts automatically once you reach the required age. That said, “automatic” does not mean “risk-free.” Automatic systems use stored account data and standard assumptions. If your profile information, marital details, or beneficiary designation assumptions do not align with how the IRS method applies to you, the output can be wrong.

A good operating habit is to request the RMD calculation support or summary for your first year of distributions, then compare it with your understanding of the method. After that, you can decide how much verification you need based on how stable your accounts and circumstances are.

If you feel your RMD is unusual, ask questions early. If your RMD looks too high, it might be a life expectancy table input issue. If it looks too low, it might be an account classification or balance inclusion issue. Those are both fixable, but only if you catch them in time.

The cash flow reality: planning for withdrawals beyond the math

RMDs are not just a tax calculation. They are a cash event. That means they can affect your ability to pay other bills, fund healthcare costs, or support family needs.

Many people withdraw RMDs as cash to a brokerage or checking account. That can be fine, but it raises two practical concerns:

First, money in a brokerage account might be re-invested in taxable ways. For instance, selling appreciated assets to generate cash can create capital gains. For RMDs, you are generally forced to distribute the required minimum, but you can sometimes select which assets inside the account to sell to avoid unnecessary gains, depending on your account holdings.

Second, some people treat the RMD as “tax time money” and spend it. Then they realize their tax bill arrives later than expected because withholding was insufficient or estimated taxes were underestimated. Planning early gives you time to adjust withholding or make estimated payments to avoid surprises.

Putting it all together

RMD rules can feel like a maze because they blend legal timing, account types, calculation tables, and tax consequences. The good news is that, with the right mental model, you can simplify your workflow.

Think of RMDs as a yearly minimum withdrawal requirement that kicks in once you reach the required starting age, then follows a formula based on prior year account balances and life expectancy factors. Roth IRA owners often have an advantage during their lifetime, but inherited accounts and workplace Roth accounts can change the picture. The most common real-world mistakes are not “the law is confusing,” they are operational, like wrong

inputs, incorrect account classification, missed deadlines, or the double distribution effect when the first-year deferral rule is used.

If you treat RMDs as a scheduling and verification task, not just a tax event, you will reduce stress and keep your tax outcomes aligned with your intentions.

If you want, tell me your account types (for example, traditional IRA, 401(k), Roth IRA), whether you are the original owner or handling an inherited account, and your age range. I can help you translate the general rules into the specific questions you should ask your custodian.