

## **Make the Most of Your IRA Distributions**

*This article appeared in a newsletter by Barnum Financial Group, a MetLife office*

Your individual retirement account allows you to build up retirement funds without paying taxes, but the free ride doesn't last forever – once you turn 70½ you must start withdrawing money from your account and paying taxes on the income.

If you fail to withdraw what the Internal Revenue Service calls your “required minimum distribution” (RMD) by April 1 of the year after you turn 70½, you will face stiff financial penalties – up to 50 percent of the amount you should have withdrawn.

However, your financial advisor can employ a few strategies designed to take best advantage of these funds. First, be aware that Roth IRAs are exempt from the RMD requirement, since you've already paid taxes on those funds.

Now let's look at some strategies:

- **Spread the joy.** If you have more than one tax-deferred account, your RMD is calculated from the overall total, so you can take your withdrawal from one account or from multiple accounts. That allows you to choose the best combination for your purposes. For example, if you need to rebalance an account you might want to withdraw a certain amount from that account to accomplish that goal. Or you could close out a small account by taking the RMD from it.
- **Put it to work.** If you don't need the RMD funds for current expenses, deposit it into a non-retirement savings account so it continues to earn interest.
- **Set it on automatic.** If you have financial obligations not related to daily expenses, such as funding a life insurance trust for your estate, you can direct your IRA custodian to send RMD funds to the trust, saving you the trouble of sending the money yourself.
- **Consider a trust.** Think about creating trusts to control the proceeds from your retirement account after your death. Your financial advisor can discuss this option with you, since there are many factors involved in deciding the type of trusts that will be most advantageous to your heirs.