



# 401(k) FIT

Understanding 401(k)s Required Minimum Distributions  
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Prepared by: Meghan Hannon, CRPS®, CPFA®, Partner

Planning for retirement requires more than simply saving money—you must also understand the rules that govern required minimum distributions (RMDs) from retirement accounts such as 401(k)s.

Here, [Meghan Hannon, CRPS®, CPFA®, Partner & Retirement Plan Consulting Leader](#), outlines key factors to consider when planning for RMDs, including when distributions begin, how they affect your taxes, and strategies to manage withdrawals for yourself and your heirs. Because RMDs can increase your taxable income, the timing and strategy of these withdrawals play a critical role in protecting your long-term retirement savings.

## When RMDs Start and Which Plans They Affect

The Internal Revenue Service (IRS) requires you to take annual required minimum distributions (RMDs) from most tax-deferred retirement accounts once you reach age 73. However, the age threshold is gradually increasing under the SECURE 2.0 Act, which schedules the RMD age to rise to 75 by 2033.

These rules apply to traditional IRAs, SEP and SIMPLE IRAs, and employer-sponsored plans such as 401(k)s, 403(b)s, and 457(b)s. Roth IRAs and designated Roth accounts in 401(k) plans do not require RMDs during the account owner's lifetime. This change is due to the SECURE 2.0 Act. Historically, designated Roth accounts in employer-sponsored plans were subject to RMDs during the account owner's lifetime.

Under the [SECURE 2.0 Act](#), most 401(k) participants must begin RMDs in the year they turn 73, unless they are still working, and their plan allows them to delay distributions. However, this exception generally does not apply to individuals who own five percent or more of the business sponsoring plan. Those owners must begin taking RMDs at the applicable age regardless of whether they are still employed.

You must take at least the required minimum amount, which is calculated based on your account balance and

IRS life-expectancy tables, but there is no maximum limit on how much you can withdraw. Your first RMD must be taken by April 1 of the year following your 73rd birthday, and each subsequent RMD must be taken by December 31 each year thereafter.

## How RMDs Affect Your Taxes

Withdrawals from [traditional 401\(k\) accounts](#) count as ordinary income, which means RMDs can push you into a higher tax bracket during retirement. If you delay your first RMD until April 1, you may take two RMDs in the same calendar year—often called a “double RMD”—which can significantly increase your tax liability for that year.

Several factors influence how RMDs affect your taxes, including:

- Your total retirement account balances
- Other income sources, such as Social Security or pensions
- Which accounts you draw from first, such as a 401(k) versus an IRA

Understanding how these factors work together helps you keep more of your retirement savings.

## Strategies to Reduce Taxes on RMDs

You can use several strategies to help manage the tax impact of RMDs:

- Delay RMDs while working. If your employer's plan allows it, you can postpone RMDs until you retire, giving your investments more time to grow.
- Convert to a Roth before RMDs begin. Converting part of a traditional IRA or 401(k) to a Roth account can reduce future RMDs and support tax-free growth.

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- Time withdrawals strategically. Taking distributions during lower-income years may help reduce your overall tax burden.
- Use charitable contributions. A [Qualified Charitable Contribution \(QCD\)](#) can satisfy your RMD while keeping the distributed amount out of your taxable income.
- Coordinate with other income sources. Align withdrawals with Social Security benefits, pensions, and investment income to better manage your tax bracket.

## Simplify Your Retirement Journey

Boulay Wealth helps clients understand how RMDs begin, how they affect taxes, and how to minimize their impact. By aligning withdrawal strategies with long-term goals, Boulay helps clients protect their savings and manage retirement income with confidence.

Ready to design a retirement plan that supports your long-term objectives? Connect with wealth advisors today to take control of your retirement strategy and move forward with clarity.

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