# Retirement Account Contributions and Distributions After Age 70

Retirement means different things to different people. Your age when you retire can be impacted by many factors such as your health, your love of the work you do, your need for financial stability, or even your desire to stay active and part of something bigger than yourself. If you have decided to continue working into your 70's or beyond, it's important to understand what that decision means when it comes to your retirement savings accounts and the contributions and distributions that are made.

## Retirement Account Contributions After Age 70

### Traditional IRA, Roth IRA, SEP IRA, SIMPLE IRA and Retirement Plan Contributions May Continue until Retirement

- **Traditional IRAs.** Beginning with the 2020 tax year, Traditional IRA contributions may continue even after required minimum distributions begin if you (or your spouse) are still working. For 2019, you cannot make contributions to a traditional IRA if you are age 70 ½ or older. For example: If your 70th birthday is in April 2019, you'll turn age 70½ (6 months after your 70th birthday) in October 2019. That means that you cannot make a 2019 IRA contribution even if you are still working, but you can make a contribution for 2020, if you continue to have earned income. If you turn age 70 in August 2019, you won't reach age 70 ½ until February 2020 and would be eligible to make a traditional IRA contribution for 2019 and 2020 if you are still working and earning income.
- **Roth IRAs.** Roth IRA contributions are not restricted by your age, but high wage earners may not be eligible to contribute at all. To be eligible to make a Roth IRA contribution, you need wages or earned income and your modified Adjusted Gross Income (AGI) cannot exceed certain limits. For single tax filers, the AGI limit is $137,000 for 2019 and $139,000 for 2020. For joint tax filers, the AGI limit is $203,000 for 2019 and $206,000 for 2020.
- **SEPs, SIMPLEs, 401(k)s, 403(b)s, and Other Qualified Retirement Plans.** Participation in your employer's retirement plan is limited only by the eligibility requirements of the plan. Although some may have a minimum age of 18 or 21 to participate, there is no maximum age that limits your participation. If you are currently a participant in a plan and you are still an active employee, you can continue making salary deferral contributions or receiving employer contributions based on your compensation.

## Required Minimum Distributions (RMDs)

### Beginning in 2020, RMDs Must Generally Begin at Age 72, But May Not Be Required from Retirement Plans if Still Working

Your first RMD can be taken any time during the year you turn either age 72 (if you were born July 1, 1949 or later) or age 70 ½ (if you were born June 30, 1949 or earlier), but not later than April 1st of the following year. The following year, and annually thereafter, you must take your RMD by December 31. Failure to receive a RMD can result in a 50% IRS penalty tax on the amount not distributed.

**Traditional IRAs, SEP IRAs, SIMPLE IRAs.** If you turn age 70½ in 2020 or later, RMDs must begin at age 72 even if you are still working when you have traditional IRAs, rollover IRAs, SEP IRAs, or SIMPLE IRAs. (If you turned age 70½ in 2019 or an earlier year, RMDs must begin at age 70½.)

If you don't need the income from the RMD because you are still working and you are charitably inclined, you may want to consider making a tax-free Qualified Charitable Distribution (QCD) from your IRA directly to a qualified charity. QCDs are limited to $100,000 a year, but they will count toward any RMD you have. For your IRA distribution to be treated as a QCD, you must wait to make the direct gift out of your IRA until you have reached age 70 ½. You cannot make a QCD earlier in the year even if you will turn 70 ½ before year-end. Also, you cannot make a QCD from a SEP or SIMPLE IRA.

**Roth IRAs.** You are not required to take RMDs from Roth IRAs during your lifetime. Any distributions you take from your Roth IRA are optional. Distributions are only required if you inherit a Roth IRA and you are not the surviving spouse.

**401(k), 403(b), and Other Qualified Retirement Plans.** Depending on your situation, you may not have to take RMDs from your employer-sponsored retirement plan if you are still working. How you answer the questions below can help you understand when RMDs are required:

- *Are you still working for the employer that offered the retirement plan?* If not, then RMDs are required at either age 70½ (if you turned 70½ in 2019 or a prior year) or age 72 (if you turned age 70½ in 2020 or a later year). Each former employer's retirement plan must distribute an RMD to you based on the balance in the plan as of the prior year-end.

- *Are you an owner of the business you work for?* If you are and you are more than a 5% owner, you must begin RMDs at either age 70½ (if you turned 70½ in 2019 or a prior year) or age 72 (if you turned age 70½ in 2020 or a later year) even if you are still working for the company.

- *Does your retirement plan allow you to delay RMDs while you are still working?* Most plans do, but they are not required to. Check with your plan's administrator to see when they require distributions to begin. If you are able to delay your RMDs, carefully consider what the impact will be. Waiting to receive your RMDs until after you retire means you will likely have larger amounts to take. That means more taxable income to claim after retirement which could result in more of your Social Security income being taxable, as well as the loss of certain tax deductions and credits.

- *Did you retire earlier in the year?* Even if your retirement plan didn't require you to take RMDs while you were working, an RMD is required for the year in which you retire or separate from service if before the end of the year you will attain either age 70½ (if you turned 70½ in 2019 or a prior year) or age 72 (if you turned age 70½ in 2020 or a later year). This catches some people by surprise, especially when they separate from service late in the year.

  For example, if you retire in November 2019 at the age of 75, you will have to take an RMD for 2019. If you elect to leave your balances in the plan, your first RMD must be taken no later than April 1 of the year following the year of your retirement (April 1, 2020). Your second RMD must also be taken by December 31 of that following year (December 31, 2020).

  Keep in mind that if you elect to roll over your employer's retirement plan to an IRA after you retire, you cannot roll over your plan's RMD and take it later from the IRA. Instead, your plan's administrator must pay the current year RMD to you before distributing the remainder of your plan's balance to your IRA.

## Some Other Things to Keep in Mind About Required Minimum Distributions:

- Although RMDs are not required for Roth IRAs, any designated Roth account balances you have in your 401(k) or 403(b) plan will be included in the prior year-end account value when calculating the amount of the RMD from any current or former employer's retirement plans.

- If your current employer's retirement plan allows you to delay RMDs until you retire and it also allows for rollovers into the plan, you have the option to roll over other retirement accounts into the plan and delay RMDs on those balances, too. It's important to note that you can't roll after-tax dollars into your employer's retirement plan and you can't roll in the current year's RMD.

If your approach to retirement means working a little, or even a lot in your 70's, you need to know when you must stop contributing and when you must start withdrawing from your retirement savings accounts. Everyone's situation is different. If you aren't sure, contact your Benjamin F. Edwards financial advisor for help.