

TWO RMD CHANGES TO KNOW ABOUT NOW



RETIRE WISE

If you are required to take minimum distributions from a qualified retirement plan this year, you'll want to brush up on two rule changes¹ that can help you manage taxes on your income in retirement.

RMDs are the required withdrawals that individuals aged 72 or over (73 if you reach age 72 after Dec. 31, 2022) must take annually from traditional qualified retirement plan accounts. Generally, RMDs must be taken by December 31 each year. However, if you turned 73 in 2024, you have until April 1, 2025 to take your first RMD. After that, you'll need to adhere to the annual December deadline to avoid penalties. The RMD rules apply to profit-sharing plans, 401(k) plans, 403(b) plans, and 457(b) plans, as well as traditional individual retirement accounts (IRAs), SEPs, SARSEPs, and SIMPLE IRAs.

While RMD rules do not apply to Roth IRAs or other designated Roth accounts during the account owner's lifetime, they do apply to the non-spouse beneficiaries of inherited Roth accounts. That brings us to one of the most significant changes for RMDs is 2025 – the enforced penalty for certain beneficiaries of inherited IRAs.

Enforcement of the 10-year rule

Before the Secure Act of 2019, taxpayers inheriting an IRA could withdraw the funds over their lifetime, which could help reduce their yearly income taxes. However, since 2020, non-spouse inherited accounts have been subject to the "10-year rule," meaning heirs must deplete all inherited IRA assets by the 10th year following the original account owner's death.

After years of waiving penalties for missed RMDs from inherited IRAs, the IRS finalized its guidance last July. Starting in 2025, non-spouse beneficiaries must take yearly withdrawals during the 10-year window, or they'll face penalties for missed RMDs. The penalty for not taking RMDs is 25% of the amount not withdrawn. The penalty can be reduced to 10% if the RMD is corrected within two years.

You can reduce your RMD by up to \$108,000

While taking RMDs could push certain beneficiaries into a higher tax bracket, the increase in the amount taxpayers can contribute to charity through a qualified charitable distribution (QCD) could help close that gap. A QCD is a tax-free transfer of funds that can be used to satisfy all or part of your RMD. Starting in 2025, anyone aged 70 ½ or older can distribute up to \$108,000 to a qualified charitable organization directly from an IRA. Keep in mind, the funds must be transferred directly from your IRA custodian to a qualified charity for the tax deduction to count. Since strict rules apply, be sure to call the office for more information before initiating a QCD.

To learn more about tax-smart strategies in retirement, call the office today to schedule a time to talk.

1)"Retirement plan and IRA required minimum distributions FAQs." IRS.gov, 29 JAN 2025, <http://www.irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs>.

How Travel May Benefit Heart Health

It's no secret that stress, diet, and exercise, as well as genetic and environmental factors can all play a role in heart health. But what about travel?

One study found that frequent vacations may help protect against the risk of metabolic syndrome – a cluster of conditions that increase the risk of developing chronic diseases, such as heart disease, stroke, and type 2 diabetes. For workers participating in the study who used two weeks of vacation time over the course of 12 months, metabolic symptoms decreased by nearly a quarter with each additional vacation. Study authors attributed this to the fact that, overall, vacations are experienced as positive events, which may translate into physical health benefits.¹

Even short periods of travel have been found to benefit heart health in various ways, including:²

- **Reducing stress** – 57% of people returning from vacation say they feel less stressed, and 68% return with more positive feelings. Stress reduction is believed to help heart health by lowering blood pressure, improving cholesterol and blood sugar control, and reducing inflammation.
- **Encouraging physical activity** – People often tend to walk more and engage in other activities while traveling that they may not have access to at home, such as swimming, hiking, or horseback riding. Exercise can help strengthen the heart muscle and improve circulation, which can help control blood pressure.
- **Spending time in nature** – Enjoying nature benefits mind and body, helping to reduce blood pressure and stress levels and restore balance.

To learn more about heart health, visit the American Heart Association at Heart.org.

1)Hruska, B., Pressman, S. D., Bendinskas, K., & Gump, B. B. (2019). Vacation frequency is associated with metabolic syndrome and symptoms. *Psychology & Health*, 35(1), 1–15. <http://doi.org/10.1080/08870446.2019.1628962>.

2)"All The Ways Traveling Benefits Your Heart Health." *Huffpost.com*, 9 DEC 2024, http://www.huffpost.com/entry/travel-heart-health__1_6751d776e4b0a7189dd89758?ncid=APPLENEWS00001.



Scott Holstein

seh@prudentwm.com

(800) 458-9330

Prudent Wealth Management, Inc.
Wealth Manager | Financial Advisor

<http://www.prudentwm.com>



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