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taking required minimum distributions (RMDs) from traditional IRAs and qualified retirement plans, like a 401(k), by April 1 of the following year. And then the ...

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This is no April Fool's joke: After a taxpayer reaches age 70½, he or she must begin taking required minimum distributions (RMDs) from traditional IRAs and qualified retirement plans, like a 401(k), by April 1 of the following year. And then the taxpayer must continue RMDs for each succeeding tax year. What's more, the penalty for

failing to take an annual RMD is equal to a staggering 50 percent of the amount that

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December 31 of the prior year and IRS-approved life expectancy tables. Our recent article provides guidelines at www.cpapracticeadvisor.com/12056173.

It sounds easy enough, but things can get complicated in the real world. Typically, a client in their 70s or 80s won't have just one IRA or one qualified retirement plan account. They will likely hold multiple accounts from a number of financial institutions and previous employers. In that case, you have more flexibility with RMDs from traditional IRAs than you do with qualified plans.

If you hold multiple IRAs, you can choose to make a single withdrawal based on the combined account balances of all the IRAs or divvy up the total RMD any way you like. Similarly, if you have inherited multiple IRAs from the same decedent, you may choose to combine the life expectancy-based distributions from those IRAs and withdraw the total RMD from a single account.

However, if you hold multiple qualified retirement plan accounts, you can't combine the account balances for RMD purposes. You must take an RMD from each plan account separately based on the balance in the prior year. There's no mixing and matching allowed. One exception: If a client has multiple 403(b) plan accounts from working in the nonprofit sector, he or she can combine the 403(b) balances for a single withdrawal. But the 403(b) accounts can't be combined with 401(k) or other plan accounts.

What about Roth IRAs? The good news is that you don't have to take RMDs from a single Roth or multiple Roths during your lifetime. However, heirs of inherited Roth IRA assets are subject to RMD rules.

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