

**Understanding Ages 70, 70½, 71
and RMDs and the Final IRA Contribution
Even the IRS Gets It Wrong**

An IRA owner must take a required minimum distribution (RMD) for the year he or she attains age 70½. There is no requirement to take an RMD for the year one attains age 70.

A traditional IRA owner is not allowed to make an IRA contribution for the year he or she attains age 70½ or any subsequent year. A person who attains age 70½ in 2015 may make a carryback contribution for 2014 since he or she is not age 70½ during 2014. The IRS has written an article on IRA Contribution Limits. For IRA contributions after age 70½, the IRS writes, “You can’t make regular contributions to a traditional IRA in the year you reach age 70½ and older.” This is incorrect. To be correct, the sentence needs to be, “You can’t make regular contributions to a traditional IRA “FOR” the year you reach age 70½ and older. “

A person born on June 30, 1945 must take an RMD for 2015 since he or she is age 70½ on December 30, 2015. This person’s deadline for taking the 2015 RMD is April 1, 2016. This person may withdraw the distribution in 2015 or by April 1, 2016. His or her deadline for taking the 2016 RMD is December 31, 2016. The distribution is included in the person’s income for the year the distribution is received. Thus, a person who takes both distributions in 2016 will include both amounts in income in 2016.

A person born on July 1, 1945 is not required to take an RMD for 2015 since he or she attains age 70½ in January of 2016. This person’s deadline for taking the 2016 RMD is April 1, 2017. His or her deadline for taking the 2017 RMD is December 31, 2017.

Those individuals born between January 1, 2015 and June 30, 2015 are both age 70 and 70½ and so the RMD divisor is 27.4 for 2015 and is 26.5 for 2016.

Those individuals born between July 1, 2045 and December 31, 2045 are both age 70½ and 71 and so the RMD divisor is 26.5 for 2016 and is 25.6 for 2017.

If a person misses the deadline, he or she will owe the 50% tax. It is CWF’s experience that some computer systems do the calculations incorrectly when a person has June birthday. For example, Jane was born on June 28, 1944. The computer report incorrectly showed she did not have to take an RMD until 2015 and her deadline was 4-1-16. However, since she attained age 70½ in 2014 she had to take an RMD for 2014 and 2015.

It never hurts to double check the work of your computer system.