GLOBAL
WEALTH MANAGEMENT

As Seen On:

Kiplinger

2810 East Oakland Park Boulevard, Suite 101
Fort Lauderdale, Florida 33306
(866) 405-1031

www.ASKGLOBALWEALTH.com

SMART INSIGHTS FROM PROFESSIONAL ADVISERS

5 RMD Strategies to Safeguard Your Retirement, Maximize Your Legacy

By C. GRANT CONNESS | Global Wealth Management
March 2017

Kiplinger

When managed correctly, required minimum distributions can play an important role in your financial future and those of the ones you love.

There was a lot of fuss back in 2011 when the first wave of Baby Boomers turned 65. Baby Boomers hold 54% percent of all U.S. household wealth and account for almost 50% percent of consumer spending — and yet many were winging it as they moved into retirement.[1] Experts have urged them to get it together regarding financial planning.

Some listen, some don't. An average of 10,000 people turn 65 every day in the U.S. , and despite all the warnings, many are moving on unprepared.[2] Those first-wave Boomers? They're now 70 years old and have a new wrinkle to contend with: required minimum distributions (RMDs). Just as a lack of overall planning can affect your portfolio and your future, a seat-of-the-pants approach to your RMDs could end up costing you money in penalties, taxes and loss of income. But there are strategies that can help you preserve your hard-earned savings. Here are a few:

1. EDUCATE YOURSELF.

A lot of the people we sit down with don't seem to understand how RMDs work — how to calculate them, when to take them or the best way to take them. At 70½, you must start taking your RMD. You'll start out at about 3.65%, and that percentage goes up every year. At 80, it's 5.35%. At 90, it's 8.77%. So you have to plan accordingly.

There are a few exceptions. For example, if you're still working past the age of 70½ and you have a retirement plan with that employer, you don't have to take the RMD on that account until you actually retire. But if you have other accounts, you must take it on those.

2. DON'T WAIT UNTIL NOVEMBER OR DECEMBER TO TAKE YOUR RMD.

Just as many people put off doing their taxes until April, most delay taking their RMDs until the end of the year. The problem with that is if the stock market is down in November or December, you'll end up having to sell investments in a down market, and that can hurt you over time. A better way is to take the RMD over the course of the year using dividends and interest. If, for instance, you have an account that's paying 4%, you can use that rather than relying on the market to go up.

Obviously, when you're 95, it's going to be difficult to cover an 11.63% RMD with dividends and interest. But in the earlier years, you should be able to make it work.

3. CONSIDER PURCHASING A RETIREMENT ANNUITY WITH AN INCOME BENEFIT RIDER TO PROTECT AGAINST LONGEVITY.

Let's face it: Uncle Sam is determined to get the tax money you never paid because you had an IRA. The longer you live, the harder he tries, using those increasing RMD percentages. If your money is only in stocks or a mutual fund, you could end up draining that down to zero when you may need it most. Welcome to 95; you're broke. But if you purchase a retirement income annuity inside your IRA, you'll still have that money coming in every single year.

4. PURCHASE A UNIVERSAL LIFE INSURANCE POLICY TO MAXIMIZE YOUR LEGACY.

What if you don't need your RMD to live your life? Some people are fortunate; having to withdraw that RMD money is actually a burden to them. They don't want to have to take it out and pay more taxes. You can't avoid taxes on your RMD, but you can direct that RMD to purchase a universal life insurance policy to maximize your legacy. So even if you're drawing down your IRA over time, you can redirect the money and build it back up with a life insurance policy. Ultimately, you can convert a taxable account into a tax-free benefit.

Another strategy is to use a qualified longevity annuity contract (QLAC) to minimize your RMD exposure. You can set aside up to $125,000 or 25% of your IRA value, whichever is smaller, and you don't have to take the RMD from that amount until you reach 85. It's a good way to defer the taxes on that money if you don't need it, and it will provide an income stream when you're older and may need it for long-term care or other expenses.

5. MAKE SURE TO WORK WITH A FINANCIAL PLANNER WHO IS WELL-VERSED IN RETIREMENT INCOME PLANNING TO PUT TOGETHER A TANGIBLE PLAN.

Here's where a lot of people fail. Perhaps you're still using the adviser you chose when you were in the accumulation phase of life. But in retirement, you need someone who can help you figure out the best way to take your income and maximize your accounts annually. Calculating your RMD each year is a complicated matter, especially if you have several retirement accounts. A retirement expert you trust can take you through it and make things a little less painful for you and your pocketbook.

Kim Franke-Folstad contributed to this article.

C. Grant Conness is co-host of the "Global Wealth Radio Show" and co-author of several books. He is the co-founder of Global Wealth Management, an Investment Adviser Representative at Global Wealth Management and Global Financial Private Capital, a Registered Representative at Madison Avenue Securities, and insurance professional.

[1]Jeremy Burbank and Louise Keely. Nielsen. Jan. 9, 2015. "Uncommon Sense: Most Baby Boomers Are Not Downsizing (Quite the Contrary)." http://www.nielsen.com/us/en/insights/news/2015/most-baby-boomers-are-not-downsizing-quite-the-contrary.html. Accessed Jan. 5, 2017.

[2]Nielsen. Aug. 6, 2012. "Introducing Boomers: Marketing's Most Valuable Generation." http://www.nielsen.com/us/en/insights/reports/2012/introducing-boomers--marketing-s-most-valuable-generation.html. Accessed Jan. 5, 2017.