

Knowledge is Power

August 2023 Question Of The Month?

"Hello Brian. I turned age 72 this year and was not at the age where I had to start taking required minimum distributions from my IRA accounts. I went ahead and took my RMD in January, before knowing that the Secure 2.0 Act changed the rule now to age 73. If I had known this, I would have not taken my required minimum distribution this year. Am I allowed to put it back into my IRA? Thank you." Jean

Hello Jean. Thank you for submitting your question. There has been a lot of confusion around required minimum distributions (RMDs) lately. The original age when someone had to start taking their RMDs was the year they turned age 70 and a half. The Secure Act 1.0, which went into law in December of 2019 changed that RMD age to age 72. Then, the Secure 2.0 Act, which went into law on December 30th of last year, changed the RMD age again, this time to age 73. Of course, many people like yourself did not know about this law change. The good news is that because of the ongoing confusion concerning IRA required minimum distributions, the IRS has granted some relief.

One of the consequences of the late passage of SECURE Act 2.0 on December 30, 2022, was that some IRA owners were not aware of the change in the required beginning date from age 72 to age 73, especially those IRA owners born sometime during 1951. Some IRA owners born during 1951 took their IRA RMDs in January and February 2023. They were not aware of the fact that their RBD had changed from age 72 to age 73. Because of SECURE Act 2.0's passage they were in fact not required to take their first RMD until 2024 when they become age 73. Thus, the IRS has provided limited relief to both IRA owners and beneficiaries of IRAs in this situation who initially had to take their first RMD during 2023, but as a result of this law change in late 2022, did not have to meet their RMD this year.

Under IRS Notice 2023-54, IRA owners who took their 2023 RMDs any time before July 31, 2023, have until September 30, 2023 to return these IRA distributions into their IRA accounts, even though the normal 60-day rollover period may have passed. IRS rules state that an IRA RMD can never be rolled over. However, these IRA distributions are in fact not RMDs; therefore, they are eligible to be rolled over under IRS Notice 2023-54.

Under IRS Notice 2023-54, IRA owners who took their 2023 RMDs any time before July 31, 2023, have until September 30, 2023 to return these IRA distributions into their IRA accounts, even though the normal 60-day rollover period may have passed. IRS rules state that an IRA RMD can never be rolled over. However, these IRA distributions are in fact not RMDs; therefore, they are eligible to be rolled over under IRS Notice 2023-54.

So, Jean, the good news is if you want to return the money to your IRA, you can do so before September 30th of this year. By doing this, it will prevent that RMD from being taxable for the year 2023, and you can take it out next year. This would definitely be a good idea if you were in a lower tax bracket next year. However, with our current tax system expiring at the end of 2025 which will cause tax brackets and rates to be higher, it may not make sense to delay your RMDs. Before returning your RMD to your

IRA for this year, I would highly advise speaking to your professional retirement advisor and tax advisor to see if this makes sense or not. If it does not make sense to return the funds to your IRA, then you very well may benefit by putting those funds into a tax-free Roth IRA via a Roth conversion, since the IRS Notice allows you to do that.

Join me this weekend on The Retirement Money Matters Radio Show as we will go over this question in much more detail as well as answer many more retirement planning questions sent in from our readers and listeners. The show airs Sunday morning at 8 on WWKI (100.5 FM), and online at www.theretirementmoneymattersshow.com. You can also obtain this information by reaching out to us at Hayes Advisory Group at 452-PLAN (7526), 800-939-1603 or brian@hayesadvisorygroup.com.

Investment Advisory Services offered through Brookstone Capital Management LLC and Milestone Asset Management LLC, both Registered Investment Advisory Services offered through Brookstone Capital Management LLC, a SEC Registered Investment Advisor. Any statement contained herein are not intended to be construed as tax advice. You should consult your tax advisor as to any tax or related matters.