The Important Ages in Retirement Plans

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Age 55: Up to age 55, there is generally a 10% early distribution penalty on any distribution you take from any retirement plan – unless you qualify for an exception to the penalty (for more information on the exceptions see **IRS Publication 590-A**).

There is an exception to the early distribution penalty when you separate from service *in the year* you turn age 55 or later. Distributions you take from retirement plans of that employer will **not** be subject to the penalty. So you could leave your job at age 54 ½ in May, turn 55 in November, and be able to take penalty-free distributions from that plan as of the date you leave your job.

Age 59 ½: At age 59 ½, you are no longer subject to the early distribution penalty when you take a distribution from any retirement plan. Here you must actually be age 59 ½, *not* in the year you turn 59 ½.

From age 59 ½ to age 70 ½, there are no restrictions on your IRA funds. You can take distributions any time you want, in any amount you want, for any reason. You will owe income tax on any pre-tax amounts you take, but there will be no penalties. Employer plan funds where you are still working may continue to restrict your access to the plan funds.

Age 70 ½: At age 70 ½, you will have required minimum distributions (RMDs) from most of your retirement funds. You have until your required beginning date (RBD) to take your first distribution. That date is not in the year you turn age 70 ½, and it is not the actual date you turn 70 ½, it is *April 1of the year after you turn 70 ½.*

For those born from January through June, you will be 70 ½ in the year you turn 70 so your RBD is in the year you turn 71. For those of you who are born from July through December, you will be 70 ½ in the year we turn 71 so our RBD is in the year we turn 72.

Generally, it is just easier to take your first RMD in the year you turn age 70 ½. There is a potential drawback to waiting until the April 1 RBD date. If you wait those extra three months, you will have to take two RMDs in the same year. *Why?* Let's say Dean is 70 ½ in 2016. He defers his first RMD until February, 2017. He has now taken his 2016 RMD in 2017, and he still has to take his 2017 RMD by the end of the year. This will double up on the income he will have from his IRA for the year. Unless he has tax write-offs to offset the additional income, this may not be the best idea for Dean.

Age 85: The age 85 start date for RMDs applies to QLAC (qualifying longevity annuity contract) owners only. This is a deferred annuity that you can purchase with a limited amount of your IRA or employer plan funds. The amount of the annuity is not counted in your RMD calculation until you reach your annuity start date, which is *the month after you attain age 85.*

As you can see from all of the above, the retirement definition of when an individual is age 55, 59 ½, 70 ½ or 85 differs from age to age. Retirement rules are not easy. Work with an educated financial advisor to help you navigate these complexities.

Source: https://www.irahelp.com/slottreport/important-ages-retirement-plans