

Preserve Your Retirement Investment with Required Minimum Distribution Options



Special Report

Note: RMDs are waived for the 2020 calendar year.

The Internal Revenue Code generally requires that you start taking distributions from retirement savings vehicles after you reach age 72 (age 70½ if you were born before July 1, 1949). If you're nearing this age, its time for you to make some decisions.

Why?

Because employer plans and IRAs offer you the benefits of tax deferral on both your contributions and their earnings to help you save for retirement. The benefit of tax deferral is intended to be an incentive, but these plans were never intended to be permanent tax shelters. That's why you're required to begin receiving minimum withdrawals (which are generally taxable) after a certain age or event.

These required distributions are called Required Minimum Distributions (RMDs). As a general rule, you must begin taking them by April 1st following the calendar year in which you turn age 72 or retire from the employer sponsoring the retirement plan – whichever comes later. Subsequent distributions are required every year by December 31. The second RMD is due by the end of the year containing your Required Beginning Date. (If you have a traditional IRA, or if you are a 5% owner of the employer sponsoring your retirement plan, your RMDs must begin by April 1 following the calendar year in which you reach age 72.)

If you don't take an RMD within the appropriate time – or if you withdraw too little, based on the Internal Revenue Code RMD formulas – you may be subject to an IRS penalty tax. The IRS may charge a penalty tax of 50% of the amount you should have withdrawn in a timely manner. Here's an example:

- John Doe's RMD \$8,000
- His actual withdrawal \$3,000
- Discrepancy \$5,000
- IRS Penalty (50% of \$5,000) \$2,500

How RMDs are calculated

The minimum amount the IRS requires you to take from your account will be calculated based on your life expectancy under certain IRS tables. Unless your spouse is more than 10 years younger than you, and is your sole primary beneficiary, your distributions will be calculated according to the IRS Uniform Lifetime Table. (If your sole primary beneficiary/spouse is more

than 10 years younger than you, your RMD will be calculated based on the Joint Life and Last Survivor Table using the ages of you and your spouse.)

The life expectancy factor is then divided into your account value and Actuarial Present Value of any living/ death benefits to determine your RMD.

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Your options

Your distribution strategy will depend on your financial and family situation, as well as your goals and intentions for your investment.

Whatever your goals, there are a wide variety of payment options to help you satisfy both your needs and the IRS RMD rules. Keep in mind that each plan is unique, and not all of the payment options may be permitted under your plan.

Distribution solutions fall into some broad categories:

- Discretionary Distributions
- Annuitization
- Systematic Distributions
- Rollover to Roth IRA (transaction may be reported as a taxable distribution)

Discretionary distributions keep you in control

This option offers you the most control, because discretionary distributions are merely withdrawals that you may request each year. Discretionary distributions require you to keep track of how much you have taken so you can determine if additional amounts must be taken to satisfy the IRS RMD rules. You will then need to contact the product provider for each withdrawal.

Discretionary distributions may be subject to contractual charges depending on the amount you withdraw and the terms of the contract that funds your plan or investment product. Any income taxes resulting from that withdrawal would be part of that year's tax liability.

Annuitize for convenience

Under your plan or investment product you may have the option to use your account (or part of it) to purchase an annuity, which can provide you with income and other guarantees in a wide variety of ways. Annuity guarantees are based on the claims-paying ability of the issuing insurer.

For example, you can choose an annuity option that will guarantee you an income for the rest of your life, regardless of how long you live. You can choose this option for just yourself, and/or for yourself and another individual (e.g., your spouse). Or you can choose to receive guaranteed income payments for a specific period of time (again, either just for yourself, or for yourself and a designated beneficiary). Some annuities also offer you the flexibility to decide whether you want income payments that are a fixed amount, variable (reflecting investment performance), or a combination of both.

It's important to note that annuity options, while offering great flexibility, are usually irrevocable elections. The portion of your account balance applied to an annuity option may no longer be available for withdrawal, other than periodically as annuity payments.

Some people choose to annuitize a portion of their retirement account. The annuitized portion is designed to automatically meet RMD rules. The remaining amount that is not annuitized is still subject to the RMD account rules.

Systematic distribution options for RMD

This solution offers you ongoing access to the balance of your account, the ability to invest your remaining account balance as you choose, while having the convenience of automatic payments

that satisfy RMD rules. You can choose from a menu of systematic distribution options depending on your personal goals:

- Preserve as much of your account balance as possible for your estate by choosing the Repetitive Required Payment.
- Receive a scheduled series of withdrawals (in the amount or for the period of time you select) with a Systematic Withdrawal Option.

The Voya RMD Guarantee

When Voya provides you with a calculation for your RMD payment under a Systematic Distribution Option, we guarantee that our calculations are correct. We will pay the 50% excise tax penalty if you incur it as a result of our mistake. Of course, this assumes that you have provided us with your correct age and other relevant information.

The tax penalty referred to above may be waived by the IRS under certain circumstances. We will provide you with documentation reflecting our error for submission to the IRS in connection with a request to waive the tax penalty. If unsuccessful, we will pay the tax penalty you actually incur.

Here's Something to Consider:

When taking your first RMD, you might not want to wait until April 1st – because you'll have to take two RMDs in one calendar year. Here's an example of an RMD distribution from a retirement plan:

Your 72nd Birthday	May 2, 2020
You turn 72 and you have already retired	November 2, 2020
You must take 1st RMD no later than	April 1, 2021
Your next RMD no later than	December 31, 2021
Subsequent RMDs no later than	Each December 31

Timing your RMD will require tax planning and is a topic to be discussed with your tax advisor.

Repetitive Required Payment (RRP) program

(Certain insurance contracts available through Voya Retirement Insurance and Annuity Company provide RRP withdrawal capabilities. This option may not be available in all products.)

With RRP, you'll receive a distribution of the frequency you choose (i.e. monthly, quarterly, semi-annually, or annually). This is calculated to be the minimum necessary amount needed to satisfy the RMD rules, allowing you to retain as much as possible in your account and preserving it for your estate. Your balance remains invested and investment returns, if any, continue to accumulate tax deferred. See Table A for an RRP example assuming a hypothetical 6% investment growth each year.

Systematic Withdrawal Option (SWO)

(Certain insurance contracts available through Voya Retirement Insurance and Annuity Company provide SWO withdrawal capabilities. This option may not be available in all products.)

This option allows you to receive income from your investment, but still retain investment control and access to your account balance. You can choose a specific payment amount or payment for a specific number of years (assuming that the payment you choose also meets RMD requirements) until your account is liquidated entirely. Rules apply with respect to minimum account balance and minimum/maximum payment amount required to elect a SWO.

See Table B for a SWO example assuming a hypothetical 6% investment growth each year.

Roth IRA

You may wish to consider maintaining a Roth IRA. If you own a Roth IRA, you are not required to take RMDs during your lifetime. However, distributions to your designated beneficiaries are subject to RMDs. Roth IRAs are funded with after-tax dollars. There are two ways you can contribute to a Roth IRA:

- You may make contributions to a Roth IRA, provided that you have earned income that does not exceed that year's AGI (Adjusted Gross Income) threshold; or
- You may roll over eligible amounts from an employer-sponsored retirement plan or your traditional IRA to your Roth IRA. RMD amounts currently payable this year to you from your employer-sponsored retirement plan or your traditional IRA cannot be rolled over into a Roth IRA. You may pay taxes on the amount that is rolled over into your Roth IRA.

Earnings on your Roth IRA contributions are tax-deferred and can be distributed tax-free (from a federal income tax perspective) from the Roth IRA if the first contribution has been in the Roth IRA for at least five years and the distribution is due to you reaching age 59½; becoming disabled; purchasing your first home, or (for your beneficiaries) upon your death.

What makes sense for you?

Keep in mind, the distribution options available to you are subject to the provisions of your plan and/or investment product. Guarantees are based on the claims-paying ability of the issuing company. Individual Retirement Accounts (IRAs) or other retirement plans already receive tax-deferred treatment. Other features of an annuity besides tax deferral should be considered.

Take the next step... You may feel ready to make a choice based on what you've read here. When you decide to proceed, your financial representative can help you. You may have a wide range of options to help you make the right decision for your own life and your own goals. What's important right now, is to take the time to review your options, and make the right decisions about how RMD rules affect your own investment, and how you may help protect that investment from possible IRS penalties.

Age	Life Expectancy	Beginning Balance	RMD Payment	Hypothetical 6% Growth Ending Balance
72	25.6	\$104,629.11	\$4,087.07	\$106,819.78
73	24.7	\$106,819.78	\$4,324.69	\$108,904.28
74	23.8	\$108,904.28	\$4,575.81	\$110,862.73
75	22.9	\$110,862.73	\$4,841.17	\$112,673.32
76	22	\$112,673.32	\$5,121.51	\$114,312.21
77	21.2	\$114,312.21	\$5,392.09	\$115,778.86
78	20.3	\$115,778.86	\$5,703.39	\$117,022.19
79	19.5	\$117,022.19	\$6,001.14	\$118,042.39
80	18.7	\$118,042.39	\$6,312.43	\$118,812.50

- Assumes a 6% annual growth rate and distributions taken at the end of each year.
- Life expectancy figures will be different if your sole primary beneficiary is your spouse who is more than 10 years younger than you.
- This illustration is hypothetical, not guaranteed and does not represent past or future performance of any investment option. Actual results could be more or less and might vary from year to year.
- RMDs are calculated using the prior year-end balance including the Actuarial Present Value (APV) of any living/death benefits. Voya does not offer legal or tax advice. Consult with your tax and legal advisors regarding your individual situation.

SWO: Specified Period 10 years				SWO: Specified Payment of \$10,000		
Year	Beginning Balance	Withdrawal	Ending Balance 6% Investment Growth	Beginning Balance	Withdrawal Balance	Ending Balance, 6% Investment Growth
1	\$100,000	\$10,000	\$95,400	\$100,000	\$10,000	\$95,400
2	\$ 95,400	\$10,600	\$89,888	\$ 95,400	\$10,000	\$90,524
3	\$ 89,888	\$11,236	\$83,371	\$ 90,524	\$10,000	\$85,355
4	\$ 83,371	\$11,910	\$75,749	\$ 85,355	\$10,000	\$79,877
5	\$ 75,749	\$12,625	\$66,911	\$ 79,877	\$10,000	\$74,069
6	\$ 66,911	\$13,382	\$56,741	\$ 74,069	\$10,000	\$67,914
7	\$ 56,741	\$14,185	\$45,109	\$ 67,914	\$10,000	\$61,388
8	\$ 45,109	\$15,036	\$31,877	\$ 61,388	\$10,000	\$54,472
9	\$ 31,877	\$15,938	\$16,895	\$ 54,472	\$10,000	\$47,140
10	\$ 16,895	\$16,895	\$ 0	\$ 47,140	\$10,000	\$39,368
Total Payments: \$131,808				Total Payments + Ending Balance: \$139,368		

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- RMDs are calculated using the prior year-end balance including the Actuarial Present Value (APV) of any living/death benefits.

If you want:	Consider:
To receive a guaranteed lifetime income potential	Combination fixed and variable annuity income designed to help minimize the effect of inflation
Maximum flexibility and control over how you use your money	Discretionary distributions
To preserve as much of your account value participating in the market	Repetitive Required Payment or Systematic Withdrawal of RMD
The security of knowing you won't outlive your income	Lifetime Annuity
Some benefit payment from your investment, but also the flexibility	Systematic Withdrawal Option to manage the investment of the remaining account balance depending on the rules of your contract or plan
A guaranteed fixed income that will be independent of market conditions	Fixed annuity with a cost of living adjustment
To reduce or eliminate the need for future lifetime RMD payments	Establish a Roth IRA

Common questions

What's annuitization?

When you choose annuity payments, you exchange all or part of your account balance for a guaranteed income paid monthly, quarterly, semi-annually or annually. The amount of your payment is calculated based on the account balance used to purchase the annuity contract and a rate that reflects the payment option you have chosen.

What if I change my mind?

An annuity choice is usually irrevocable. Once you use all or a portion of your account value for an annuity option, it may not be possible to change that option after payments start. The reason for this is that annuity payments are based on average life expectancy projections made at the time you annuitize. If you've elected an RRP or SWO, however, you may be able to stop or change your distributions, subject to IRS RMD rules and provisions of your plan or investment product.

What if I die after my RRP or SWO payments have begun?

Your beneficiary may be able to continue to receive payments, take a lump-sum distribution, or choose another option subject to the terms of the plan, investment product and IRS RMD rules.

Under what circumstances would RRP or SWO payments stop?

You'd stop receiving payments if:

- Your account value is depleted
- You use your account balance to purchase an annuity, subject to IRS RMD rules and provisions of the plan or investment product
- You receive your final payment under a SWO specified period election
- You roll over your account balance into another retirement plan or IRA.

Is there tax on my distributions?

In the case of an annuity, RRP or SWO payment, or discretionary distribution, you will pay current income taxes on the distributions in the year your payment is processed. If you choose a Roth IRA you'll pay current taxes on the amount in the year contributed or rolled over. Earnings on your Roth IRA contributions are tax-deferred and can be distributed tax-free (from a federal income tax perspective) from the Roth IRA if the first contribution has been in the Roth IRA for at least five years and the distribution is due to you reaching age 59½; becoming disabled; purchasing your first home, or (for your beneficiaries) upon your death.



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Variable annuities, group annuities, or funding agreements are long-term investments designed for retirement purposes. If withdrawals are taken prior to age 59½, an IRS 10% premature distribution penalty tax will apply, unless an IRS exception applies. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

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