



Update

RMD Update: IRS Changes to the Rules

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As described in Chapter 3 of *Don't Go Broke in Retirement*, in late 2019, the IRS proposed changes to the withdrawal percentages that apply to the required minimum distribution (RMD) rules. As proposed, the updated rules would have applied to all withdrawals made from January 2021 forward. At the time the IRS proposed the rules, they expected to finalize and approve the new regulations in early 2020.

However, the COVID-19 pandemic delayed finalization of these regulations. The IRS eventually finalized and approved these regulations in November 2020; they will go into effect and apply to all withdrawals as of January 2022. The current RMD withdrawal percentages will continue to apply for 2020 and 2021.

To reflect these final regulations, we updated *Don't Go Broke in Retirement* in late December 2020. This note describes the differences between the versions of the book before and after the revisions.

The version before revisions

In the pre-December 2020 version of *Don't Go Broke in Retirement*, Table 3.1 in Chapter 3 compared the withdrawal percentages under the current rules and under the proposed regulations. The attached revised Table 3.1 compares the withdrawal percentages under the current rules and under the final regulations that apply in 2022 and thereafter.

If you purchased the book before we made the revisions, you can print out and use the attached Table 3.1 for your planning. In this case, the examples using the RMD methodology shown in Chapters 3, 6, 8, 12 and 13 will be slightly different compared to the examples in the updated version of the book. However, there's been no change in the planning concepts that these examples illustrate.

How the revised version of the book has changed

If you purchased the book after we made the revisions, about half of the withdrawal rates under the new RMD rules as shown in Table 3.1 changed slightly compared to the previous version of the book.

These minor changes were caused by rounding issues that occurred when calculating the withdrawal percentages. As a result, the RMD withdrawal percentages in Table 3.1 and the examples throughout the book changed slightly in the revised version of the book.

Planning issues

The minor changes to the RMD rules under the final IRS regulations haven't changed the viability of the *Spend Safely in Retirement Strategy* at all. The post-2022 withdrawal percentages will produce slightly smaller annual withdrawal amounts compared to the pre-2022 withdrawal percentages, but that should not affect your retirement income strategy.

A key note: If you want to use the current RMD withdrawal percentages in 2022 and thereafter to determine how much money you should withdraw from your retirement accounts, you have that option. The pre-2022 RMD withdrawal percentages will produce slightly higher withdrawal amounts than the minimum amounts that will apply in 2022 and thereafter. As a result, by using the pre-2022 numbers, you wouldn't incur any IRS penalties because your withdrawal amounts would be higher than what's actually required.

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