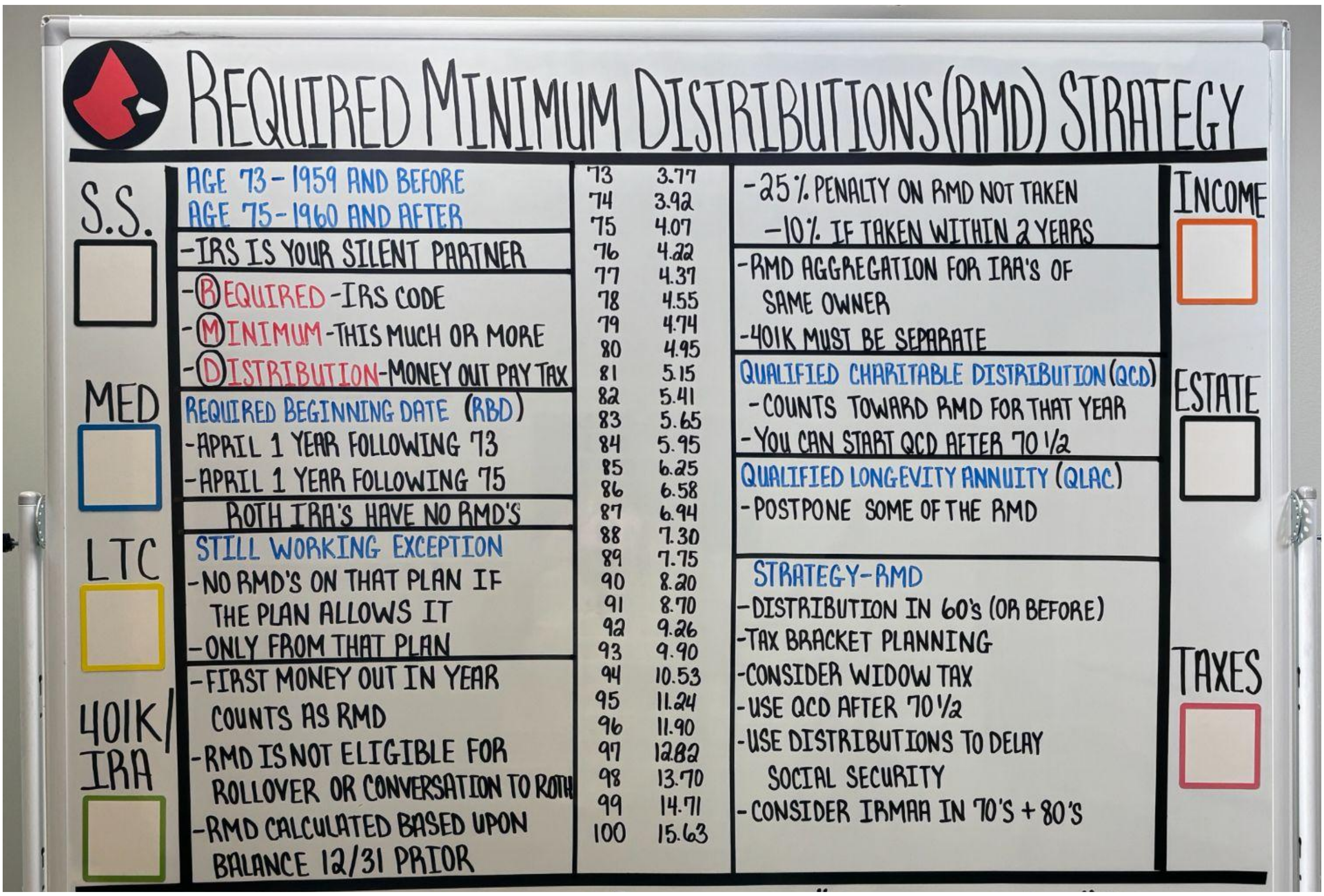
CARDINAL ADVISORS

Required Minimum Distributions (RMD) Strategy

In this video Hans, Tom, and Drew explain RMDs — key rules, deadlines, and strategies to minimize taxes on your retirement withdrawals.



Nov 2026

2026 Tax Planning

Taxable Income Brackets for 2026 *Ordinary* Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	$0 - $24,800	$0 - $12,400
12%	$24,801 - $100,800	$12,401 - $50,400
22%	$100,801 - $211,400	$50,401 - $105,700
24%	$211,401 - $403,550	$105,701 - $201,775
32%	$403,551 - $512,450	$201,776 - $256,225
35%	$512,451 - $768,700	$256,226 - $640,600
37%*	Over $768,700	Over $640,600

* The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income (those with MAGI over the thresholds of $250,000 joint filers/$200,000 single filers).

2026 Trust Tax Rates

Ordinary Income Tax		Capital Gain Rates	
10%	$0 - $3,300	0%	$0 - $3,300
24%	$3,301 - $11,700	15%	$3,301 - $16,250
35%	$11,701 - $16,000	20%	Over $16,250
37%	Over $16,000		

Trust Tax Rates – Distributions from inherited IRAs that exceed **$16,000** and are made to and retained in discretionary trusts will be subject to the top 37% rate. After the SECURE Act, inherited IRA funds will have to be paid out to most of these trusts under the 10-year rule, accelerating trust taxes. Roth conversions during the IRA owner's life become more valuable if the IRA beneficiary is a trust.

Taxable Income Brackets for 2026 *Long Term Capital Gains and Qualified Dividends Tax*

Long Term Capital Gains Rate	Married Filing Joint	Single
0%	$0 - $98,900	$0 - $49,450
15%*	$98,901 - $613,700	$49,451 - $545,500
20% **	Over $613,700	Over $545,500

*The 15% rate is effectively 18.8% for those subject to the 3.8% Medicare surtax on net investment income.

**The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income.

2026 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate, Gift, GST Tax	$15,000,000	40%

*The estate and gift exemptions are portable. The unused amount can be transferred to a surviving spouse. The GST exemption is NOT portable.

Annual Gift Tax Exclusion $19,000

Qualified Business Income (QBI) Deduction

20% Deduction Phase-Out Ranges

$403,500 - $553,500 - Married Joint

$201,750 - $276,750 - Single

Standard Deductions

Married-Joint	Single	Head of Household
$32,200	$16,100	$24,150

Extra Standard Deduction for Age 65 or Blind
$1,650 (married-joint) $2,050 (single)

$6,000 Deduction for Seniors

$6,000 addition to the standard deduction for seniors aged 65 and older for years 2025-2028. This is per person, so a married couple could deduct up to $12,000 if each spouse is aged 65 or over. This is in addition to the regular standard deduction AND the extra deduction for those aged 65 or blind. Available to seniors who itemize.

The deduction phases out beginning with modified adjusted gross incomes of $75,000 for individuals and $150,000 for married filing jointly. It phases out completely at $175,000 / $250,000.

SALT (State and Local Tax) Deductions for Itemizers

The SALT deduction is increased to $40,000, effective for 2025-2029, with a 1% increase each year. So, it is $40,400 for 2026. In addition, some pass-through business owners can work around the limitation and get unlimited SALT deductions.

For 2025, the deduction began phasing out at $500,000 (for both single and married), and phased out completely at $600,000, reverting to a maximum $10,000 deduction. The $500,000 threshold phase-out increases 1% each year, so it is $505,000 for 2026. In 2026, a taxpayer with an income at or over $606,333 would lose $30,400 of the SALT deduction.

Qualified Charitable Distributions

Available only to IRA owners and IRA beneficiaries who are 70½ or older. The annual QCD limit for 2026 is $111,000 per IRA owner, ***not*** per IRA account. For 2026, the limit for a QCD to a split interest entity is $55,000. QCDs are more valuable due to the larger number of taxpayers that are using the increased standard deduction.

Retirement Account RMD Aggregation Chart

TYPE OF ACCOUNT	RMD AGGREGATION RULES
Note: RMDs may never be aggregated between different *types* of retirement accounts (different rows of this chart).	
IRAs (Including SEP and SIMPLE IRAs)	RMDs for each IRA account must be calculated separately, but the total RMD for all IRA accounts may be taken from one (or more) of the IRA accounts. There is no "still working" exception for SEP IRAs or SIMPLE IRAs, so even if a client is still actively at work for the company maintaining the plan and they are receiving/making annual contributions/deferrals, an RMD must be taken.
Roth IRAs	There are no RMDs for a Roth IRA owner during his/her lifetime.
Company Plans (Excluding 403(b) and IRA-based Plans)	RMDs for each company plan — *excluding 403(b) and IRA-based plans* — must be calculated separately for each plan and taken separately from each plan. If an individual is 1) still working for the company sponsoring their plan, 2) does not own more than 5% of the company and 3) the plan contains a "still working" exception, an RMD may not be required for that plan until the year the participant retires.
403(b) Plans	RMDs for each 403(b) account must be calculated separately, but the total RMD for all 403(b) accounts may be taken from one (or more) of the 403(b) accounts. If an individual is still working for the institution sponsoring their 403(b) plan and the plan contains a "still working" exception, an RMD may not be required for that plan until the year the individual retires.

Inherited Retirement Account RMD Aggregation Chart

TYPE OF ACCOUNT	RMD AGGREGATION RULES
Note: RMDs may never be aggregated between different *types* of retirement accounts (different rows of this chart).	
Inherited IRAs (Including Inherited SEP and Inherited SIMPLE IRAs)	RMDs for inherited IRAs of different decedents cannot be aggregated or combined in any way. RMDs for inherited IRA accounts of the same decedent must be calculated separately, but the total RMD for all inherited IRA accounts of the same decedent may be taken from one (or more) of the inherited IRA accounts of the same decedent.
Inherited Roth IRAs	RMDs for inherited Roth IRAs of different decedents cannot be aggregated or combined in any way. RMDs for inherited Roth IRA accounts of the same decedent must be calculated separately, but the total RMD for all inherited Roth IRA accounts of the same decedent may be taken from one (or more) of the inherited Roth IRA accounts of the same decedent.
Inherited Company Plans (Excluding 403(b) and IRA-based Plans)	RMDs for inherited company plans — *excluding inherited 403(b) and inherited IRA-based plans* — of different decedents cannot be aggregated or combined for any reason. RMDs for each inherited company plan — *excluding inherited 403(b) and inherited IRA-based plans* — must be calculated separately and taken separately from each inherited company plan, excluding inherited 403(b) and inherited IRA-based plans.
Inherited 403(b) Plans	RMDs for inherited 403(b) plans of different decedents cannot be aggregated or combined in any way. RMDs for inherited 403(b) plans of the same decedent must be calculated separately, but the total RMD for all inherited 403(b) plans of the same decedent may be taken from one (or more) of the inherited 403(b) plans of the same decedent.

UNIFORM LIFETIME TABLE

Age of IRA Owner or Plan Participant	Life Expectancy (in years)	% of Account Balance	Age of IRA Owner or Plan Participant	Life Expectancy (in years)	% of Account Balance
72	27.4	3.65%	96	8.4	11.90%
73	26.5	3.77%	97	7.8	12.82%
74	25.5	3.92%	98	7.3	13.70%
75	24.6	4.07%	99	6.8	14.71%
76	23.7	4.22%	100	6.4	15.63%
77	22.9	4.37%	101	6.0	16.67%
78	22.0	4.55%	102	5.6	17.86%
79	21.1	4.74%	103	5.2	19.23%
80	20.2	4.95%	104	4.9	20.41%
81	19.4	5.15%	105	4.6	21.74%
82	18.5	5.41%	106	4.3	23.26%
83	17.7	5.65%	107	4.1	24.39%
84	16.8	5.95%	108	3.9	25.64%
85	16.0	6.25%	109	3.7	27.03%
86	15.2	6.58%	110	3.5	28.57%
87	14.4	6.94%	111	3.4	29.41%
88	13.7	7.30%	112	3.3	30.30%
89	12.9	7.75%	113	3.1	32.26%
90	12.2	8.20%	114	3.0	33.33%
91	11.5	8.70%	115	2.9	34.48%
92	10.8	9.26%	116	2.8	35.71%
93	10.1	9.90%	117	2.7	37.04%
94	9.5	10.53%	118	2.5	40.00%
95	8.9	11.24%	119	2.3	43.48%
			120+	2.0	50.00%

This table is used for lifetime required distributions. Most IRA owners will use this table, but there is one exception. If the spouse is the sole beneficiary for the entire year AND is more than 10 years younger than the IRA owner, do not use this Uniform Lifetime Table. Instead, use the actual ages of both spouses based on the Joint Life Table. This will result in a longer life expectancy and a smaller required distribution.

Single Life Expectancy Table (for Inherited IRAs)

(To be used for calculating post-death required distributions to beneficiaries)

Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)
0	84.6	31	54.4	61	26.2	91	5.3
1	83.7	32	53.4	62	25.4	92	4.9
2	82.8	33	52.5	63	24.5	93	4.6
3	81.8	34	51.5	64	23.7	94	4.3
4	80.8	35	50.5	65	22.9	95	4.0
5	79.8	36	49.6	66	22.0	96	3.7
6	78.8	37	48.6	67	21.2	97	3.4
7	77.9	38	47.7	68	20.4	98	3.2
8	76.9	39	46.7	69	19.6	99	3.0
9	75.9	40	45.7	70	18.8	100	2.8
10	74.9	41	44.8	71	18.0	101	2.6
11	73.9	42	43.8	72	17.2	102	2.5
12	72.9	43	42.9	73	16.4	103	2.3
13	71.9	44	41.9	74	15.6	104	2.2
14	70.9	45	41.0	75	14.8	105	2.1
15	69.9	46	40.0	76	14.1	106	2.1
16	69.0	47	39.0	77	13.3	107	2.1
17	68.0	48	38.1	78	12.6	108	2.0
18	67.0	49	37.1	79	11.9	109	2.0
19	66.0	50	36.2	80	11.2	110	2.0
20	65.0	51	35.3	81	10.5	111	2.0
21	64.1	52	34.3	82	9.9	112	2.0
22	63.1	53	33.4	83	9.3	113	1.9
23	62.1	54	32.5	84	8.7	114	1.9
24	61.1	55	31.6	85	8.1	115	1.8
25	60.2	56	30.6	86	7.6	116	1.8
26	59.2	57	29.8	87	7.1	117	1.6
27	58.2	58	28.9	88	6.6	118	1.4
28	57.3	59	28.0	89	6.1	119	1.1
29	56.3	60	27.1	90	5.7	120+	1.0
30	55.3						

This table is used to calculate RMDs for:

- Designated Beneficiaries (DBs) who inherited before 2020.
- DBs who inherit in 2020 or later when the account owner dies ON OR AFTER his RBD - for years 1-9 of the 10-year period.
- Eligible Designated Beneficiaries (EDBs).
- Non-Designated Beneficiaries when the account owner dies ON OR AFTER his RBD for "ghost rule" RMDs.

This table is NOT used by:

- DBs who inherit in 2020 or later when the account owner dies BEFORE the RBD.
- IRA owners to calculate lifetime RMDs.
- Roth IRA beneficiaries, who are not EDBs.

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NEW RMD RULES ARE HERE

On July 18, 2024, the IRS issued both final regulations under the 2020 SECURE Act and proposed regulations under the SECURE 2.0 Act of 2022. These long-awaited new regulations impact many parts of the required minimum distribution (RMD) rules for retirement accounts. The final regulations are effective for 2026, and the proposed regulations can be used immediately as guidance. Here are the highlights:

RMDs in the 10-Year Period/The "At Least As Rapidly Rule": RETAINED

The IRS opted to retain this controversial rule. If the account holder died on or after his required beginning date (RBD) for starting RMDs, then annual RMD payments must continue to the beneficiary during the 10-year period.

Due to all the confusion this interpretation caused, the IRS previously waived RMDs during the 10-year period for beneficiaries for the years 2021, 2022, 2023, and 2024. Annual RMDs are now required starting in 2026. The penalty waivers do not extend the 10-year period, and any missed RMDs do not need to be made up.

Planning Note: Many beneficiaries subject to the 10-year rule will voluntarily take out more than the yearly RMD over the 10-year period. For those people, the annual RMD rule is irrelevant. Those who aren't already taking out more than the annual RMD should consider doing so. If they don't, they may be stuck with a large tax bill in the 10th year when the account must be emptied. **The best IRA tax planning may be to ignore RMDs and think "maximum" – NOT "minimum."**

Eligible Designated Beneficiaries (EDBs): EXPANDED

The new regulations change the definition of "EDB":

- The definition of a minor child of an IRA owner or plan participant is expanded to include a stepchild, adopted child or eligible foster child.
- Beneficiaries who have been found to be disabled for Social Security purposes are considered EDBs under a new safe harbor rule. The regulations also include a special definition of "disability" for children under 18.
- Documentation of chronic illness or disability is not required for IRA beneficiaries. Documentation for plan beneficiaries is still required, but it does not need to be overly detailed. For plan beneficiaries, documentation for 2020-2023 deaths is not required until 10/31/25.

Planning Note: These changes will make it easier for more beneficiaries to qualify as EDBs.

Year-of-Death RMD: DEADLINE EXTENDED

The final regulations confirm that when an IRA or plan account has multiple beneficiaries, any beneficiary can take the year-of-death RMD that the account owner did not take before death. Also, the deadline for taking a year-of-death RMD is extended until the end of the calendar year following the year of death.

Planning Note: This is good news for beneficiaries when one beneficiary, such as a charity, takes a lump sum distribution from the inherited account immediately after the death of the owner. That could satisfy the year-of-death RMD for all beneficiaries. Extra time to take an RMD may be helpful for beneficiaries of retirement owners who died late in the year without taking the full RMD or for beneficiaries who are overwhelmed after the death of a loved one.

Monitoring Concurrent RMDs: ELIMINATED

In earlier regulations proposed by the IRS, under certain circumstances an EDB who was older than the account owner was allowed to use the longer life expectancy of the deceased account holder

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to calculate RMDs. However, the EDB would have to simultaneously monitor her own shorter life expectancy and empty the inherited account when that life expectancy ran out. This is eliminated in the final regulations.

Planning Note: This complex and confusing requirement that unduly burdened elderly beneficiaries is no longer a concern.

Hypothetical RMD Rule for Spouse Beneficiaries: RETAINED

The final regulations retain the rule that prevents surviving spouse beneficiaries from avoiding RMDs in certain circumstances when a retirement account owner dies before his RBD. RMDs could be avoided by electing the 10-year payment rule and then later doing a spousal rollover. The new regulations close this loophole and require that any "hypothetical RMDs" that would have had to be taken (if not for the election of the 10-year rule) must be taken prior to a spousal rollover.

Planning Note: The continued existence of this rule shows the IRS means business when it comes to annual RMDs. This loophole remains firmly closed.

Trusts as Beneficiary: RULES LOOSENED

A trustee is no longer required to provide documentation to the IRA custodian to satisfy the see-through rules necessary for the trust to use either the 10-year rule or even a stretch payout for an EDB trust beneficiary.

For trust beneficiaries of plans, documentation must still be provided by October 31 of the year following the year of death. However, the plan administrator can require the trustee to provide either the trust document or a list of trust beneficiaries with their entitlements.

RMD rules can now be applied separately to see-through trust beneficiaries if the trust will be terminated and divided into separate subtrusts immediately upon the death of the account owner. This new rule expands the prior separate account rule that had applied only to certain special needs trusts. Each subtrust can now get the most favorable payout option without being separately named on the beneficiary form, as was required in the past.

Planning Note: Trusts are downgraded as a planning strategy after the SECURE Act, and the new regulations do not change that. However, the new final regulations do clear up some confusion and add some rules favorable to trust beneficiaries.

New Rules for Spouse Beneficiaries: CLARIFIED

Section 327 of SECURE 2.0 allows a surviving spouse to be treated as the deceased employee for purposes of the RMD rules. A spouse beneficiary may delay RMDs until the deceased spouse would have reached RMD age. This election is considered *automatically* made by the beneficiary when the account owner dies before the RBD.

The proposed regulations clarify that RMDs are then calculated using the Uniform Lifetime Table and the surviving spouse's age. The account is considered an inherited account, so any distributions would not be subject to the 10% penalty for early distributions. A spousal rollover can still be done at any time.

Planning Note: This is welcome guidance on a perplexing provision of SECURE 2.0. Some spouse beneficiaries will still be able to delay RMDs, sometimes for years, as under the old rules. And their RMDs will be smaller because they can now use the Uniform Lifetime Table, which was never before allowed for any beneficiaries.

First RMD Year for Those Born in 1959: CLARIFIED

Due to a drafting error in SECURE 2.0, the RMD age for someone born in 1959 was unclear. The proposed regulations clarify that the first RMD year for someone born in 1959 is age 73.

Planning Note: The ages when RMDs must begin for retirement account owners are as follows:

Age 72 (or 70 ½)	Born 1950 or earlier
Age 73	Born 1951 – 1959
Age 75	Born 1960 or later

Client Name: ______________________________ Date: ______________

Advisor Name: ______________________________ Plan # ______________

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RMD CALCULATIONS

Follow-ups should be added to the Comments/To-Do list at the end of this module.

Use this module for account owners. Beneficiaries of inherited retirement accounts should use the Non-Spouse Beneficiaries or the Spouse Beneficiary module.

1. Is the account owner subject to required distributions? (is or will be age 73 or older by 12/31 of this year)
   - Required distributions must begin by an individual's "required beginning date" (RBD).
   - In most cases the RBD is April 1st of the year after turning 73.
   - Both the SECURE Act and SECURE 2.0 delayed the age at which RMDs must begin. The chart below shows at which age RMDs must begin.

Age 72 (or 70 ½)	Born 1950 or earlier
Age 73	Born 1951 – 1959
Age 75	Born 1960 or later

2. Does an exception apply?
   - Roth IRAs have no required distributions while the owner is alive.
   - First-year distribution can be delayed until 4/1 of the following year – known as the "required beginning date" (RBD). (Second distribution must be taken by 12/31 of that year also.)
   - Still-working exception – company plans only. If the plan allows (most do) and if not a 5% or more owner (using family aggregation rules) of the company with respect to the plan year ending in the year the owner turns 73 and still working for that company, distributions are not required until 4/1 of the year after retirement. If the plan forces distributions, they can be rolled over until after the individual's RBD.
   - If individual dies before the RBD, there is no required distribution for that year.

- 403(b) plan balances prior to 1987 are not subject to required distributions until the account owner is age 75. The "still working" exception applies at age 75.

3. Determine distribution year. If prior year's distribution was deferred to current year, distribution year is prior year, but taxable in current year.

4. Find the retirement plan balance.

- Balance as of 12/31 of the year prior to the distribution year.
- Add in any outstanding rollovers, transfers (funds in transit that are not in any plan as of 12/31), and any excess QLAC payments.
- For an annuity with riders, the fair market value of the riders is generally included in the year-end account balance.

5. Look up life expectancy factor each year.

- Use the age of account owner on the last day of the distribution year – Uniform Lifetime Table is used.
- Spousal exception – if spouse is the sole beneficiary for the entire year and is more than 10 years younger than the account owner, Joint Life Expectancy Table is used. Look up actual ages (as of last day of the year) of owner and spouse.

6. Divide the account balance by the life expectancy factor.

7. Take the RMD by 12/31 of the distribution year (unless it is the first-year distribution delayed until 4/1).

8. The first money distributed from an account is considered the RMD.

- The RMD is not eligible for rollover or for conversion to a Roth IRA.
- An IRA RMD can be directly transferred (not a 60-day rollover) to another IRA account and taken later in the year. (The new custodian will most likely not issue any reminders, so the advisor or the account owner must make sure the RMD is taken before year end.)

9. There is a 25% penalty on any required distribution that is not taken. The penalty is reduced to 10% if taken within 2 years. (See Mistakes That Can Be Fixed module). There is a three-year statute of limitations for missed RMDs effective in 2022; however, it is not retroactive for RMDs for years before 2022. *Couturier v. Commissioner*, No. 19714-16; 162 T.C. No. 4.

10. If the client has multiple accounts, distributions can sometimes be taken from any one, or a combination of, accounts.

- Owned IRA RMDs (except Roth IRAs) can be aggregated.
- RMDs from IRAs inherited from the same person can be aggregated. Must also be the same type of beneficiary and the same kind of IRA.
- RMDs from IRAs and company plans cannot be aggregated, and required distributions must be taken from each account.
- Owned 403(b) plan RMDs <u>can</u> be aggregated.
- RMDs from inherited 403(b) plans from the same person <u>can</u> be aggregated.
- All other company plan RMDs cannot be aggregated, and required distributions must be taken from each plan.

11. If the client has annuitized an annuity, the distribution from that annuity can be aggregated and used to satisfy RMDs from other IRAs.

12. Are there any after-tax funds in any of the client's IRA accounts, including SEP and SIMPLE IRAs?

- If so, any distribution is taxed using the pro-rata rule.
- The client must file Form 8606 with the income tax return to calculate the tax-free portion of the distribution and the remaining balance of the after-tax funds.
- The basic formula takes the total amount of ALL after-tax funds in ALL IRAs and divides it by an adjusted total balance in all owned IRAs as of the end of the year. The resulting percentage is applied to the distribution to find the tax-free amount of the distribution.
- The same process would be used for basis in inherited IRA accounts. The calculation is done separately from the calculation for owned IRA accounts.

COMMENTS/TO-DO: