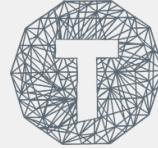


The Blueprint For Required Minimum Distributions (RMDs)

The Step-By-Step Guide to Managing Mandatory
Withdrawals and Avoiding Unnecessary Taxes



T H E O R E M
WEALTH MANAGEMENT



If You Only Read One Page – Read This

Proper RMD Planning Can Save You Thousands in Taxes Each Year.

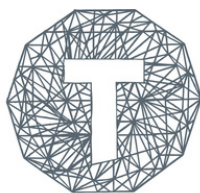
Required Minimum Distributions are not optional. Once you reach age 73, the IRS requires you to withdraw a minimum amount from your tax-deferred retirement accounts every year. How you handle those withdrawals, and when you plan for them, determines how much of your retirement savings you actually keep.

Why RMD Planning Matters:

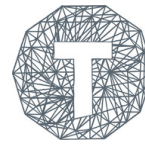
- RMDs are taxed as ordinary income and can push you into a higher tax bracket
- Large RMDs can trigger higher Medicare premiums (IRMAA) and increase Social Security taxes
- Planning ahead through Roth conversions or charitable giving can significantly reduce the impact
- Missing an RMD can result in a penalty of 25% of the amount not withdrawn

The 3 biggest questions this guide will answer:

- 1. How are RMDs calculated, and when do they begin?**
- 2. How do RMDs affect your taxes, Medicare premiums, and Social Security?**
- 3. What strategies can help reduce the tax impact of Required Minimum Distributions?**



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UNDERSTANDING REQUIRED MINIMUM DISTRIBUTIONS

A Required Minimum Distribution (RMD) is the minimum amount the IRS requires you to withdraw each year from certain retirement accounts once you reach age 73. These rules exist because traditional retirement accounts received tax benefits when contributions were made, and eventually, the IRS requires withdrawals so those dollars can be taxed as ordinary income.

ACCOUNTS THAT REQUIRE RMDs

Account Type	RMD Required?
Traditional IRA	Yes
401(k)	Yes
403(b)	Yes
SEP / SIMPLE IRA	Yes
Roth IRA	No
Roth 401(k)	No (after SECURE Act 2.0, starting 2024)

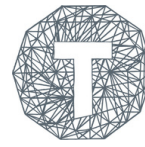
WHY ROTH IRAs ARE DIFFERENT

Roth IRAs do not require RMDs during the owner's lifetime. This is one reason Roth accounts are powerful tools for tax planning in retirement. Money in a Roth IRA can continue growing tax-free, and because no minimum withdrawal is required, you have full control over when and how you access those funds.

HOW RMDs AFFECT YOUR TAXES

Because RMDs are taxed as ordinary income, they can create several ripple effects that many retirees do not anticipate. Understanding these impacts is the first step toward managing them.

- Higher marginal tax bracket
- Higher Medicare premiums (IRMAA surcharges)
- More of your Social Security becoming taxable
- Potentially higher capital gains tax rates on investment income



HOW RMDs ARE CALCULATED

The IRS calculates RMDs using a formula based on your account balance and your life expectancy factor. Understanding how this formula works can help you anticipate future withdrawals and plan your tax strategy accordingly.

THE RMD FORMULA

$$\text{Account Balance} \div \text{Life Expectancy Factor} = \text{RMD}$$

The account balance used is the value of the account on **December 31 of the previous year**. The life expectancy factor comes from IRS Uniform Lifetime Tables.

EXAMPLE CALCULATION

This amount must be withdrawn before the deadline each year. Each year the life expectancy factor decreases, which means RMDs gradually increase over time as a percentage of your account balance.

IRA Balance (December 31 prior year): \$500,000

Age: 73

IRS Life Expectancy Factor: 26.5

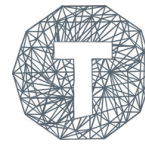
RMD = $\$500,000 \div 26.5 = \$18,868$

WHEN DO RMDs BEGIN?

For most retirees today, RMDs begin at age 73. Your first RMD must be taken by April 1 of the year after you turn 73. However, delaying the first RMD until April means you will take two distributions in the same tax year, which can significantly increase your taxable income for that year.

Timeline Example	
Turn 73	2026
First RMD deadline	April 1, 2027
2027 RMD deadline	December 31, 2027

Note: Many retirees choose to take the first RMD in the year they turn 73 to avoid doubling up distributions in a single tax year.



RMD PENALTY AND TAX CONSIDERATIONS

Failing to take the full RMD by the deadline can result in a significant IRS penalty. Careful monitoring of your accounts each year is essential to avoid this costly mistake.

Current Penalty: 25% of the amount not withdrawn

If corrected quickly, the penalty may be reduced to 10%.

Example:

Required distribution: \$20,000

Amount withdrawn: \$10,000

Missed amount: \$10,000

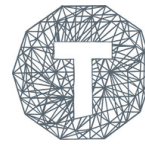
Penalty = \$2,500

HOW RMDs IMPACT YOUR OVERALL TAX PICTURE

Because RMDs are added to your other income for the year, they can trigger a chain reaction of tax consequences that many retirees do not anticipate until it is too late to plan around them.

Without planning, RMDs can significantly increase taxes in retirement. The impact is not limited to your tax bracket alone higher income can trigger IRMAA Medicare surcharges, make more of your Social Security taxable, and push long-term capital gains into higher rate brackets

Income Source	Annual Amount
Social Security	\$40,000
Pension	\$30,000
RMD	\$45,000
Total Income	\$115,000



STRATEGIES TO MANAGE RMD TAXES

There are several strategies retirees use to manage the tax impact of RMDs. The most effective approach depends on your income sources, tax bracket, and how far in advance you begin planning.

1. Roth Conversions Before RMD Age

Converting some IRA assets into a Roth IRA before age 73 can reduce the size of future RMDs. This strategy works best during lower income years earlier in retirement, when your tax bracket may be more favorable. A smaller traditional IRA balance means smaller required withdrawals later.

2. Qualified Charitable Distributions (QCDs)

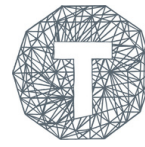
Once you reach age 70½, you can donate directly from an IRA to a qualified charity. Up to \$105,000 per year (indexed for inflation) can be donated this way. A QCD counts toward your RMD, is not included in your taxable income, and helps support your charitable goals, making it one of the most tax-efficient strategies available.

3. Coordinating Withdrawals Before Age 73

Strategically withdrawing funds from retirement accounts earlier in retirement can reduce the size of future RMDs. This is often combined with Roth conversions, tax bracket management, and Social Security timing to create a comprehensive tax strategy.

4. Tax Diversification

Having a mix of account types, tax-deferred (Traditional IRA), tax-free (Roth IRA), and taxable brokerage, provides flexibility to control how much taxable income you generate each year. This flexibility becomes increasingly valuable as RMDs grow over time.



HOW PLANNING CAN REDUCE RMD TAXES

The difference between retirees who plan early and those who don't often comes down to the size of their RMDs. A coordinated strategy can meaningfully reduce mandatory withdrawals and the taxes that come with them.

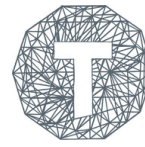
Scenario	IRA Balance at 73	First RMD (approx.)
Without Planning	\$1,200,000	\$45,300
With Roth Conversion Strategy	\$800,000	\$30,200
Annual Tax Savings Potential		~\$15,000 less in RMDs

That \$15,000 difference in RMDs could mean a lower tax bracket, reduced Medicare premiums, and greater control over your retirement income year after year.

KEY PLANNING QUESTIONS TO ASK

If you are approaching RMD age, or already taking distributions, consider these questions with a qualified financial professional:

- How large will my RMDs be at age 73, 75, and 80?
- Will they push me into a higher tax bracket?
- Should I consider Roth conversions earlier in retirement?
- Could charitable giving strategies (QCDs) reduce my taxable income?
- How will RMDs affect my Medicare premiums?
- Am I coordinating RMDs with Social Security and other income sources?

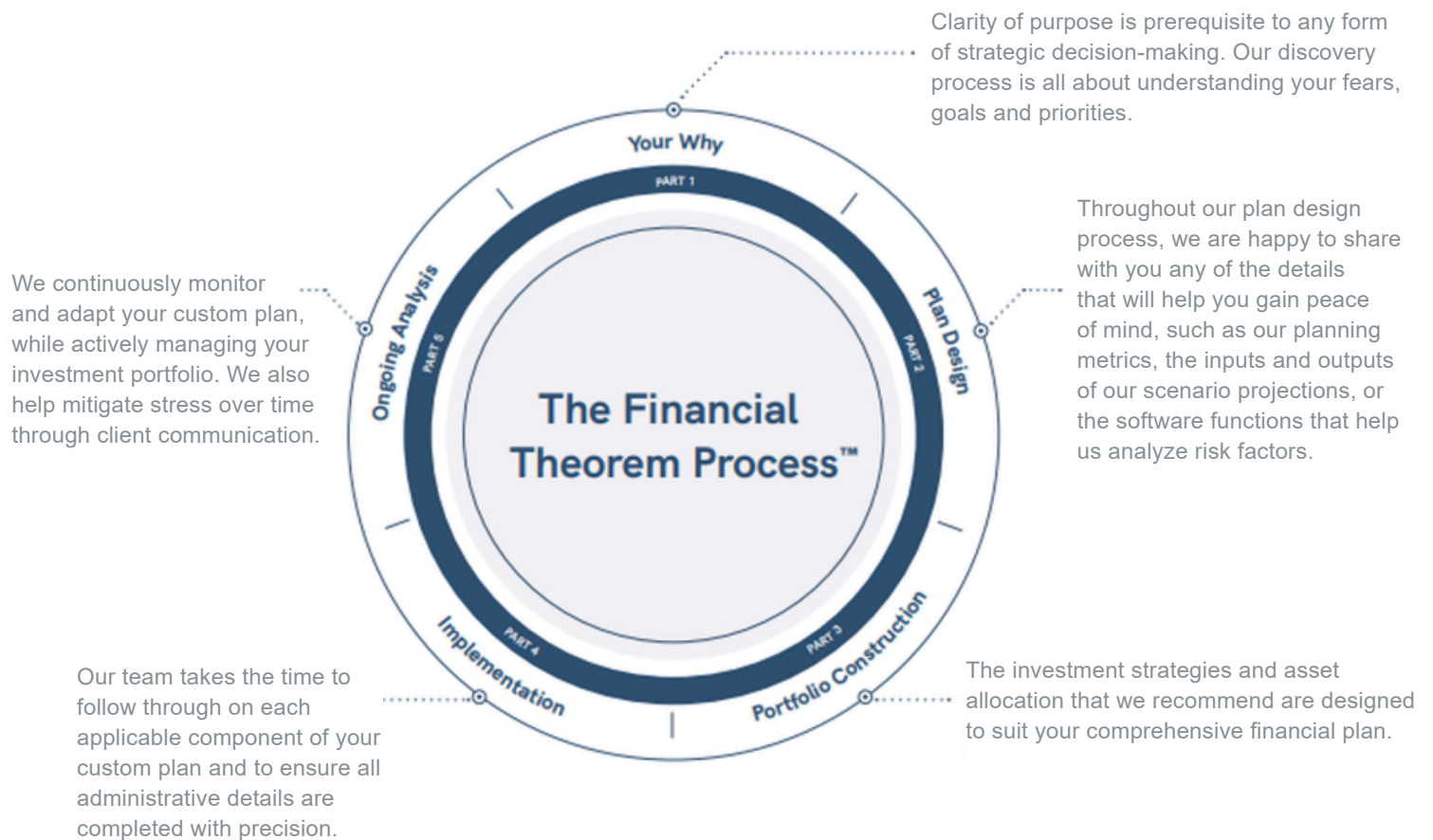


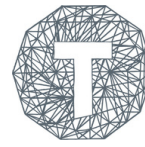
IN SUMMARY

As discussed throughout this guide, your RMD strategy should be coordinated with your broader retirement plan, including Social Security timing, Roth conversion opportunities, investment withdrawal sequencing, Medicare premium planning, and charitable giving goals. RMDs do not exist in a vacuum, and the right approach depends on your full financial picture.

THE THEOREM PROCESS

At Theorem Wealth Management, our process is designed to understand your goals, both short-term and long-term. We take your entire financial picture into consideration. Decisions like RMD planning are analyzed using a multi-scenario approach to ensure we are evaluating the long-term tax impacts of every financial decision.





THEOREM WEALTH MANAGEMENT CAN HELP

RMD planning is only one part of your retirement strategy. Theorem Wealth Management can create a strategy that is based on your unique needs and goals. Your retirement strategy is what should drive your investment decisions.

FIDUCIARY STANDARD OF CARE

At Theorem Wealth Management, we are an independent firm committed to helping you reach your goals through conflict free advice. We are a fiduciary, bound by law to put our clients' best interests above all else.

A TAILORED APPROACH

We do not believe in a one size fits all approach. We create a personalized portfolio tailored to your unique financial goals.

BEST IN CLASS

Our CEO, Johnathan Rankin was named a Forbes Best-in-State Next Generation Wealth Advisor*, an accolade that represents both quantitative and qualitative achievements in his work within the wealth services field. The ranking is designed to help families identify local professionals who deliver an exceptional level of comprehensive service and expertise.

We believe Theorem Wealth Management can help you reduce the stress of financial management and the major decisions that need to be made when considering retirement.

A second set of eyes on your financial future is always a good idea. If you want an experienced financial professional to review your portfolio and financial goals, [click here for a complimentary evaluation](#).

We look forward to hearing from you.

*Source: Forbes "Best-in-State Next-Generation Wealth Advisors" list, September 4, 2019. Forbes "Best-in-State Next-Generation Wealth Advisors" list was developed by SHOOK Research. Advisors considered for this ranking were born in 1980 or later with a minimum 4 years relevant experience; advisors have: built their own practices and lead their teams; joined teams and are viewed as future leadership; or a combination of both. Ranking algorithm is based on qualitative measures: telephone and in-person interviews, client retention, industry experience, credentials, review of compliance records, firm nominations; and quantitative criteria, such as: assets under management and revenue generated for their firms. Investment performance is not a criteria because client objectives and risk tolerances vary, and advisors rarely have audited performance reports. Rankings are based on the opinions of SHOOK Research, LLC and not representative nor indicative of any one client's experience, future performance, or investment outcome. Neither Forbes nor SHOOK Research receives compensation in exchange for placement on the ranking. Forbes is a trademark of Forbes Media LLC. All rights reserved. Rankings and recognition from Forbes are no guarantee of future investment success and do not ensure that a current or prospective client will experience a higher level of performance results and such rankings should not be construed as an endorsement of the advisor. Forbes Best-in-State Next Generation Wealth Advisors, created by SHOOK Research. Presented in September 2019 based on data gathered from September 2018 through September 2019. No fee was paid to be included in the ranking and no fee was paid to hold out marketing materials. Not indicative of adviser's future performance. Your experience may vary.
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