

Traditional IRA – Required minimum distribution at age 70½

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Lifetime Retirement Planning with Wells Fargo Advisors

Owners of Wells Fargo Advisors Traditional, SEP, or SIMPLE Individual Retirement Accounts (IRAs) are to begin taking required minimum distributions (RMDs) when they reach the age of 70½. We hope to provide you with the answers to frequently asked questions in an effort to help you gain an understanding of the rules pertaining to your RMDs.

• **At what age do I have to start taking distributions from my IRA?**

Age 70½ if you have a Traditional, SEP, or SIMPLE IRA.

Distributions from a Roth IRA are not required during the owner's lifetime.

• **Once I reach age 70½, when do I have to take my distributions?**

You can take your first distribution by December 31 of the year you reach age 70½. You will owe ordinary income tax on the distribution.

Or, you can take your first distribution by April 1 of the year following the year you obtain age 70½. If you delay your first year's distribution until the following year, you should note that you will have two distributions taxable in the same year – your first RMD and your second RMD, which must be taken by December 31. After your first distribution, annual distributions must be taken each year by December 31.

• **What happens if I do not take my RMD?**

You may be subject to a 50% IRS penalty tax on the difference between the RMD and the amount that you actually took.

• **Can I take more than my RMD?**

Yes. However, excess amounts taken will not offset the RMDs in future years.

• **What rules apply if I have more than one IRA? Do I have to take the RMD from each?**

While it is true that you do have to figure the RMD for each IRA, you have the option to combine all the RMD amounts and take the total distribution from one or more IRAs. Your RMD will be calculated from the sum of all your IRA accounts. You may actually take your distribution from whichever IRA(s) you choose.

• **What if I still have an employer-sponsored retirement plan such as a 401(k), 403(b), etc.? Can I satisfy my RMD from my IRA or vice versa?**

No, you must take your retirement plan RMD separately from your IRA RMD. Additionally, you cannot aggregate RMDs from all of your employer-sponsored retirement plans. You have to take RMDs from each plan. If you are no longer employed where the retirement plan is held, consider consolidating your assets by rolling over the plan into an IRA.

• **How do I determine the amount of my RMD each year?**

Your RMD is calculated by dividing your account balance at the end of the previous year by the appropriate life expectancy factor from IRS Life Expectancy Tables.

Your Wells Fargo Financial Advisor can provide you with an estimate of your RMD. You should confirm any calculation with your tax advisor, since Wells Fargo Advisors does not provide tax or legal advice.

Please contact me if I can be of further assistance.

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• **How do I obtain my year-end account balance to use in my calculation?**

The value of your account as reflected on your end-of-year statement(s) should be used for your calculation. It is your responsibility to verify that the value of all assets in the IRA is accurately reflected on the statement.

Certain transactions, such as pending rollovers and transfers, may affect your end-of-year balance. Your annuity held in your IRA may be subject to the Entire Interest Regulation. Consult your tax advisor to verify the values that should be used in your calculation.

• **If I purchase an immediate annuity with IRA funds, will this satisfy my RMD for all my IRAs?**

No. Once you buy an immediate annuity with IRA funds, the annuity is no longer part of the IRA held here. That immediate annuity contract is held with the carrier. All payments received under the annuity contract are considered RMDs (and they are not eligible for rollover), and those distributions satisfy the RMD requirement for the annuity contract only. If you have other IRAs, the applicable RMDs for these accounts would need to be calculated separately from the immediate annuity payments. However, in the year that the annuity contract was purchased, the payments you receive in **that year** would count toward the applicable RMD amount for that specific year.

• **How do I determine the life expectancy factor to use in the calculation?**

IRA holders will use the Uniform Table, *with one exception*:

When the IRA holder's spouse is the sole primary beneficiary of the IRA and that spouse is **more than** 10 years younger (younger by 11 years or more), the Joint Life Table with recalculation will be used.

• **Are there any special rules if my beneficiary is not my spouse?**

No. The same Uniform Table will be used. When more than one beneficiary is named, the percentage of the IRA that you wish each beneficiary to receive should be clearly stated on your beneficiary form.

• **What special rules apply if my beneficiary is a non-living entity – for example, an estate, charity, or trust?**

These beneficiaries are not a spouse and you will use the Uniform Table. When your beneficiary is a trust, the trust must meet certain IRS requirements in order for it to qualify as a designated beneficiary and allow the life of the oldest trust beneficiary to be used in calculating post death RMDs. More restrictive distribution options may result from the naming of a trust as beneficiary of your IRA. Contact your legal and tax advisors for advice on naming a trust as beneficiary of your IRA. A copy of your trust document will need to be sent to Wells Fargo Advisors.

• **Am I required to distribute cash from my account to satisfy the RMD?**

No. Cash and/or securities can be distributed from your IRA. Remember that these proceeds can be transferred to your Wells Fargo Advisors investment account.

• **Can I continue making contributions to my IRA if I am 70½ or older?**

No, not to a Traditional IRA. If you are still working, contributions can be made to a SEP or SIMPLE IRA. As long as you have earned income, or are married to someone who does and file jointly, you may be able to contribute to a Roth IRA.

• **Can I transfer or roll over my IRA or other retirement plans, now that I am 70½?**

Yes, however, you may be required to take your RMD before the transfer or rollover.

• **Can I convert my Traditional IRA to a Roth IRA during the year I am 70½?**

Yes, however, it will be necessary to take your RMD from the Traditional IRA prior to the conversion. You are not able to convert your RMD.

• **How do I request a distribution from my Wells Fargo Advisors IRA?**

Contact your Financial Advisor from Wells Fargo Advisors for the appropriate distribution form. Please request your distributions at least 30 days prior to your required distribution date of December 31 or April 1.

Should you have additional questions, please feel free to contact your Financial Advisor. We appreciate the opportunity you have given us to assist you in reaching your retirement goals.

INVESTMENT AND INSURANCE PRODUCTS:

NOT INSURED BY FDIC	NO BANK GUARANTEE	MAY LOSE VALUE
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