

*Required Minimum  
Distributions*

**RMDs From Your  
Credit Union  
Traditional IRA  
At Age 70<sup>1</sup>/<sub>2</sub>**

- Questions and Answers
  - Payment Option Explanations
  - Estimating Your 2011 Payment
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# TABLE OF CONTENTS

<b>QUESTIONS AND ANSWERS</b> .....	1
<b>PAYMENT OPTION EXPLANATIONS</b> ...	5
<b>Option 1:</b> Member Responsible for Payments ...	5
<b>Option 2:</b> Lump-Sum Payment .....	6
<b>Option 3:</b> Payments Over a Specific Number of Years .....	7
<b>Option 4:</b> Payments of a Specific Amount .....	8
<b>Option 5:</b> Required Minimum Distributions (RMDs) .....	8
<b>ESTIMATING YOUR 2011 PAYMENT</b> ..	10

## QUESTIONS AND ANSWERS

### **Q1 Why do I have to receive money from my Traditional IRA?**

Federal tax laws require that all Traditional IRA owners who have attained age 70½ receive IRA distributions each year. Because you will attain age 70½ in 2011, you will be subject to this requirement in 2011 and each subsequent year, until you have distributed all of the assets in your IRA. The IRS refers to the minimum amount that you must receive from an IRA as a required minimum distribution, or RMD.

### **Q2 May I take my RMDs for all of my Traditional IRAs from just one Traditional IRA?**

Yes. But the RMD from each of your Traditional IRAs must be calculated separately. To use this approach, you will either have to compute the RMD for each IRA yourself, or ask each financial organization at which you have a Traditional IRA to compute it for you. You will then need to total these RMDs and make sure that you receive this total from one or more of your Traditional IRAs.

### **Q3 Do I have to receive a Traditional IRA RMD in 2011?**

Although you are required to take an RMD for 2011, you have until April 1, 2012, to receive your RMD for 2011. You must receive your RMD for 2012 by December 31, 2012. This means that if you postpone receiving your 2011 RMD until 2012, you will receive and pay income taxes on the RMDs for 2011 and 2012 in 2012. An IRA owner who does not receive payments at least equal to the RMD for the year is subject to a 50 percent excess accumulation penalty tax on the amount not taken by the deadline. Payment of this penalty tax does not reduce the income taxes due on the assets if they are distributed later.

## **Q4** If I am already receiving regular payments from my Traditional IRA, do I still need to complete the *Post-70½ Payment Election* form?

Yes. The payments you are currently receiving do not necessarily meet the tax law requirements for RMDs. You must elect how you want to receive your RMDs after you reach age 70½ to ensure that you meet federal tax law requirements.

If you want to receive your RMD in the same months that you are currently receiving payments, select the earliest month in 2011 that you would receive a payment under that schedule. For example, if you are receiving semiannual payments in June and December, then you should select June 2011 as your start date. Or, if you are receiving monthly payments, you should select January 2011 as your start date (even if it is already past that date).

## **Q5** What is the smallest amount I can distribute from my Traditional IRA?

Your RMD is based on the IRA balance and your age, so the RMD amount is different for each IRA. You can receive the minimum amount by selecting payment option 5, required minimum distribution (RMD) payments, on the *Post-70½ Payment Election* form. Each January we will provide you with an estimate of the RMD for the upcoming year.

## **Q6** Why are there so many payment options?

Our policy is to offer you as many payments options as are available under the law, which allows you to select the best option for your situation.

## **Q7** Once I choose a payment option, may I change it later?

Yes.

## **Q8 How do I change my payment option?**

Contact a representative at your credit union and ask to fill out a *Periodic Payment Change* form.

## **Q9 How do I change my withholding election?**

Contact a credit union representative and ask to fill out a *Periodic Payment Change* form.

## **Q10 What if I want to withdraw money in addition to my RMD?**

You may withdraw additional amounts from your IRA at any time. Contact a credit union representative and ask to fill out a *Withdrawal Instruction* form. Ask the credit union representative whether additional withdrawals will affect the RMD for the current year.

## **Q11 Does my Traditional IRA continue to earn dividends or interest after I start receiving payments?**

That depends on the terms of the investments you have chosen for the money in your IRA. Refer to those terms or contact a credit union representative for further information.

## **Q12 May I change investments within my Traditional IRA once I start receiving payments?**

You may change investments at any time, except as limited by the terms of your IRA investment contracts.

## **Q13 May I still roll over or directly transfer my IRA assets to another financial organization once I start taking payments?**

Yes. You may roll over or transfer the remaining assets in your IRA, except as limited by the terms of your IRA investment contracts. You may not

roll over your RMD. We recommend that you receive your entire RMD for the year and then roll over or transfer the remaining assets.

## **Q14 Does my beneficiary designation affect the payment options available to me?**

No. The payment options available for RMDs are not affected by your beneficiary designation or by the fact that you have not designated beneficiaries. Your beneficiary designation can affect the amount of your RMD, however, if your spouse is more than ten years younger than you are. In this case, the RMD (and hence the payment under the RMD option) is smaller if your spouse is the only primary beneficiary of the IRA during the entire year. If a trust for the sole benefit of your spouse is named as the primary beneficiary of your IRA, the trust must meet certain requirements in order for the joint life expectancy of you and your spouse to be used for calculating payments. Ask your credit union representative for a *Qualified Trust Certification for Determining Post-70½ RMD* form.

## **Q15 How do I change the beneficiary for my Traditional IRA?**

Contact your credit union representative for assistance in obtaining and completing a *Beneficiary Designation/Change* form.

## **Q16 Whom can I contact for more information about choosing a payment option?**

Contact a credit union representative or a competent tax advisor for further information.

# PAYMENT OPTION EXPLANATIONS

## **Option 1: Member Responsible for Payments**

If you choose payment option 1 on the *Post-70½ Payment Election* form, you will be responsible for calculating and receiving the RMD for your IRA. If you have only one Traditional IRA, make sure that you withdraw at least the amount of the RMD for this IRA by the deadline. If you have two or more Traditional IRAs, you can take each RMD from the applicable IRA, or you can add together the RMDs for each of your Traditional IRAs and make sure that you receive at least this total from one or more of your Traditional IRAs by the deadline. The deadline is April 1, 2012, for the 2011 RMD, December 31, 2012, for the 2012 RMD, and December 31 of each subsequent year for each RMD thereafter.

### ***Completing the Payment Election Form***

To select this payment option, provide the information requested at the top of the *Post-70½ Payment Election* form, check the box in front of payment option 1 in section B, and sign and date the form. Do not complete the rest of the form.

## **Option 2: Lump-Sum Payment**

If you choose payment option 2 in section B of the *Post-70½ Payment Election* form, you will receive the entire balance of your Traditional IRA in a single, lump-sum payment that will close the IRA. You can receive this lump-sum payment any time before April 1, 2012.

### ***Completing the Payment Election Form***

If you do not want to receive your lump-sum payment right away, please complete the entire *Post-70½ Payment Election* form.

If you want to receive your lump-sum payment immediately, please do the following.

1. Do not complete the *Post-70½ Payment Election* form.
2. Contact a credit union representative. You will need to complete a *Withdrawal Instruction* form to receive your payment.

### **Option 3: Payments Over a Specific Number of Years**

If you choose payment option 3 in section B of the *Post-70½ Payment Election* form, we will compare the time period you select to the time period used by the tax laws to determine the RMD for the IRA. If the time period you select is shorter, we will base the payments on the time period you select. If the time period you select is longer than that used by the tax laws, we will make payments under payment option 5.

Please complete the entire form and sign it.

#### ***How Your Payments Will Be Calculated***

If you select this payment option, we will calculate your RMD for 2011 by dividing the adjusted December 31, 2010, balance of your IRA by the applicable number of years. (If you made any contributions in 2011 for 2010, those contributions will not be added to your December 31 balance.)

**Example:** If you have \$10,000 in your Traditional IRA on December 31, 2010, and want to receive payments over 5 years, you will receive \$2,000 for your 2011 payment ( $\$10,000$  divided by 5 years = \$2,000).

For each year thereafter, we will calculate your RMD by dividing the previous year's adjusted December 31 IRA balance by the remaining number of years. (If the number of years you indicate is 5, then it will be 4 years for 2012, 3 years for 2013, and so on.)

See page 10 to estimate your 2011 RMD using this method.

## **Option 4: Payments of a Specific Amount**

If you choose payment option 4 on the *Post-70½ Payment Election* form, you will receive payments equal to the amount you indicate. These payments will be made according to the frequency you indicate in section D (monthly, quarterly, semiannually, or annually). The annual amount of these payments must equal or exceed your RMD. If the amount you select does not at least equal the RMD, we will make payments under payment option 5.

Please complete the entire form and sign it.

## **Option 5: Required Minimum Distributions (RMDs)**

If you choose payment option 5 on the *Post-70½ Payment Election* form, you will receive the RMD for the IRA each year.

Please complete the entire form and sign it.

### ***How Your Payments Will Be Calculated***

Each Traditional IRA RMD for a year is determined by dividing the adjusted account balance of the IRA as of the end of the prior year by a distribution period. For most IRAs, the distribution period is taken from the Uniform Lifetime Table published by the IRS. Here is a portion of this table.

<b>Attained Age in Year</b>	<b>Distribution Period</b>
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8

If you attain age 70 on your birthday in 2011, the 2011 RMD would be determined by dividing the adjusted fair market value (FMV) of the IRA on December 31, 2010, by 27.4. If you attain age 71 in 2011, the adjusted FMV would be divided by 26.5.

If, however, your spouse will be the only primary beneficiary of the IRA for the entire year and your spouse is more than 10 years younger than you, based on your attained ages in the same year, the distribution period for the IRA is the joint life expectancy of you and your spouse each year. This joint life expectancy is found on the Joint Life Expectancy Table published by the IRS. For example, if in 2011 an IRA owner attains age 70 and the spouse attains age 55, the 2011 RMD is determined by dividing the adjusted FMV of the IRA on December 31, 2010, by 31.1. This would result in a smaller RMD than if the Uniform Lifetime Table was used.

The FMV is the balance of the IRA on December 31. The adjusted FMV is the FMV of the IRA on December 31 plus the amount received into the IRA in the following year as a (1) rollover or transfer contribution that left the distributing retirement plan or IRA in the prior year, (2) recharacterization into your Traditional IRA of an IRA conversion or retirement plan rollover to a Roth IRA that you made in the prior year, or (3) rollover or transfer contribution from your spouse's IRA in a year after the year in which your spouse dies. You do not have to worry about these adjustments because we will make them for you.

## ESTIMATING YOUR 2011 PAYMENT

You can estimate your 2011 payment under payment option 3 or payment option 5 by completing the simple calculation below.

$$\begin{array}{rcccl} \$ \underline{\hspace{2cm}} & \div & \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} \\ \text{12/31/2010} & & \text{Distribution} & & \text{Estimated} \\ \text{Traditional IRA} & & \text{period*} & & \text{2011} \\ \text{balance} & & & & \text{payment} \end{array}$$

\*For payment option 5, use the distribution period from the Uniform Lifetime Table on page 8. The distribution period under payment option 3 is the shorter of the period you select or the distribution period from the Uniform Lifetime Table.

*This information is not intended as tax advice.  
Please consult a competent tax professional.*