

## Frequently Asked Questions about 2018 Minimum Required Distributions (MRDs)

### Nazarene 403(b) Retirement Savings Plan Pensions and Benefits USA

#### **When must distributions from my 403(b) that are required by law begin?**

Generally, you are required to begin in the year you reach age 70½ or retire, whichever is later. That first year's distribution may be delayed until April 1 of the following year. A required distribution also must be taken by December 31 for each calendar year after reaching age 70½. Participants who reach age 70½ or retire in 2018 have until April 1, 2019, to take their 2018 distribution, and until December 31, 2019, to take their 2019 distribution. If the amount distributed is less than the minimum amount required by law, any excess accumulation *may be subject to a tax penalty*.

#### **What are the income tax consequences?**

Amounts distributed from your Nazarene 403(b) account must be reported as ordinary income to the Internal Revenue Service, and to you on Form 1099-R. Form 1099-R will be mailed in January of each year. As a Nazarene minister, your 403(b) withdrawals may be *designated as housing allowance*. As such, they may be withdrawn tax free *to the extent allowed by law*. If distributions are reportable as income, it will be for the year in which they are received.

#### **What life expectancy factors may be used in calculating the required minimum amount?**

The IRS Uniform Lifetime Table (ULT) provides for participants to use a uniform distribution period for all participants of the same age. The ULT may be used regardless of whom your beneficiary is, or even whether or not there is a designated beneficiary. You may still elect to use the joint life expectancy factor, which requires your spouse to be your designated beneficiary. This method would be to your advantage if your spouse is 10 or more years younger than you.

#### **Who can be my primary beneficiary for required minimum distribution purposes?**

Under current rules, there is no need to designate a beneficiary by the required beginning date (age 70½). Furthermore, changes in the beneficiary after the required beginning date have no impact on the applicable life expectancy factor you use (unless your beneficiary is your spouse who is 10 or more years younger). You may change your beneficiary as often as you like.

#### **What happens to my account should I die after my required beginning date?**

When a participant dies, the relevant designated beneficiary for post-death minimum distributions is determined as of the end of the calendar year following the year in which your death occurs. For years after a participant's death, the distribution period is generally the remaining life expectancy of the designated beneficiary. The beneficiary's life expectancy is calculated using the age of the beneficiary in the year following the year of the participant's death, reduced by one for each subsequent year. This means beneficiaries may now take their withdrawals based on their own life expectancy.

#### **How do I calculate my required minimum distribution under the new rules?**

Individuals using the ULT are able to determine their required minimum distribution for each year based on nothing more than their current age and account balance as of the end of the prior

year. If the participant's sole beneficiary is his or her spouse, and the spouse is more than 10 years younger, the participant is permitted to use the longer distribution period measured by the joint life expectancy factor.

**Is there a simple way to satisfy the IRS MRD requirements?**

Yes. Complete the highlighted items on the enclosed form and return it to P&B USA. Fidelity Investments will automatically calculate your MRD and forward a check for the amount to you.

**Do I have to calculate my MRD every year?**

No. Follow the instructions under "Method A" on the enclosed form and return it to P&B USA. Fidelity Investments will calculate and distribute your MRD according to your wishes every year.

**Uniform Lifetime Table**

To calculate MRDs, use the following formula. Divide your account balance as of December 31 of the prior year, by the factor in the chart below. Use the age you will be in the MRD year.

**Example**

Account balance as of December 31 of prior year = **\$100,000**  
 403(b) owner's attained age in MRD year = **71**  
**MRD = \$100,000 / 26.5 = \$3,773.58**

Age of Account Owner	Divisor Factor	Age of Account Owner	Divisor Factor
70	27.4	78	20.3
71	26.5	79	19.5
72	25.6	80	18.7
73	24.7	81	17.9
74	23.8	82	17.1
75	22.9	83	16.3
76	22.0	84	15.5
77	21.2	85	14.8

Additional factors are available in IRS Publication 590-B at [www.irs.gov](http://www.irs.gov).



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