



RMD GUIDE

# Understanding your required minimum distribution (RMD)



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## YOUR RMD ~ BASICS

An RMD is an amount you must begin withdrawing from a pre-tax, tax-deferred retirement savings account, such as your qualified variable annuity, by April 1 of the calendar year after you turn age 72\* **or** the calendar year you stop working for the employer sponsoring an employer-sponsored plan if over 72.\* Subsequent RMDs are due annually by December 31. You can spread your RMD as incremental payments during the year or take it as a lump sum. You can avoid the possibility of taking your first two RMDs the same year by taking your initial withdrawal the year you turn 72\* rather than waiting until April of the following year.<sup>1</sup>

\* If you turned age 70½ prior to January 1, 2020, you must take your RMD by April 1 of the calendar year after you turned age 70½.

### RMDs may apply to qualified variable annuities held in these kinds of plans



### RMD ~ a sample calculation

$$\begin{array}{|c|} \hline \text{Your account balance} \\ \text{as of December 31} \\ \text{of last year} \\ \hline \end{array} \div \begin{array}{|c|} \hline \text{Your life expectancy} \\ \text{based on IRS table} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Your} \\ \text{current RMD} \\ \hline \end{array}$$

### What is a variable annuity?

A variable annuity is a long-term, tax-deferred investment that involves investment risk and may lose value. Earnings are taxed as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met.

<sup>1</sup> IRS, "Retirement Topics—Required Minimum Distributions (RMDs)," July 16, 2020.



**Catherine, who is unmarried, turns 72 in 2022. She elects to take her first RMD in 2023.**



**Catherine's retirement account value is \$100,000 at the end of 2022.**



**Catherine's 2022 RMD is \$3,650, an amount based on her 2022 ending balance and IRS RMD tables. She is required to take her 2022 and 2023 RMDs in the 2023 tax year if she waits to receive her initial RMD on April 1, 2023, since subsequent annual RMDs are due by December 31.**

This hypothetical example is for illustrative purposes only and is not representative of the past or future performance of any product. Past performance is no guarantee of future results.<sup>2</sup>

The RMD reflected was calculated based on RMD tables effective 1/1/2022.

The IRS allows individuals to delay their first RMD until April 1 of the year after they reach RMD age.

## **RMDs ~ taxes and your annuity**

Withdrawals from variable annuities in qualified accounts are taxed at ordinary income rates, and the same is true of withdrawals due to RMDs. If your annuity includes an add-on lifetime income benefit,<sup>1</sup> income from the benefit payment would apply toward your RMD. Consult a financial professional or tax advisor for full details.

### **What if I have multiple retirement accounts?**

You must calculate a separate RMD for each tax-deferred account for which an RMD applies. It is possible to combine applicable accounts, such as IRAs, for RMD purposes. However, RMDs from your IRA and an employer-sponsored qualified account must be taken separately. For instance, if you have multiple IRA accounts, one of which has no early withdrawal penalties, you could take your total IRA RMD from this one account.

Discuss your options, including consolidating retirement accounts through rollovers to reduce the number of RMDs you need to calculate and streamline your portfolio, with a financial professional or tax advisor.

### **What if I take more than the RMD?**

You can withdraw more than the RMD in one year, but be aware of the potential impact to any of your annuity's add-on benefits and whether it is considered taxable income. Many variable annuities with add-on benefits will allow you to take an RMD that exceeds your guaranteed annual withdrawal amount with no effect on future guaranteed withdrawals. You may want to verify if your variable annuity offers this benefit. Note, however, you cannot apply the excess distribution from one year's RMD to the next year's RMD.

<sup>1</sup> Add-on living benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity and may be subject to conditions and limitations.

<sup>2</sup> IRS, Pub 590-B, "Distributions from Individual Retirement Arrangements (IRAs)," 2020.

### **What if I don't take an annual RMD or make an RMD mistake?**

A 50% excise tax is applied to any undistributed RMD amount. If you fail to take your full RMD based on what the IRS considers a reasonable mistake and have a plan to make good on the shortfall, you can request an excise tax waiver by filing IRS Form 5329 with a letter of explanation as part of your tax return.

### **What if I am still working?**

If you work beyond age 72, and are less than a 5% owner of the business sponsoring the plan,<sup>3</sup> you can delay taking RMDs until you retire. However, you must still take RMDs from a traditional IRA.

### **What if I want to distribute my RMD to a charity?**

You can meet your RMD by distributing it to a nonprofit organization. For details on how this is done per IRS regulations and how it may affect your tax situation, consult with a financial professional or tax advisor.

### **How is the RMD for my variable annuity calculated?**

With a variable annuity, the RMD accounts for your entire interest in the contract. So, in addition to your contract value, if additional annuity benefits are provided under the contract, and if the actuarial present value of those benefits is greater than zero, then a larger RMD may be calculated. Larger withdrawals, including those resulting from a larger RMD, increase the probability that a contract value falls to zero. If your contract value falls to zero, guaranteed minimum withdrawal benefits allow you to continue receiving guaranteed annual withdrawals, but any guaranteed death benefits may terminate.

### **What if I still have questions?**

For more details on taking RMDs from your Jackson variable annuity, consult your financial professional, tax advisor, or visit [Jackson.com](https://www.jackson.com).

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<sup>3</sup> IRS, "Retirement Plan and IRA Required Minimum Distributions FAQs," June 26, 2021.

**Before investing, investors should carefully consider the investment objectives, risks, charges, and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact your financial professional or Jackson to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.**

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