



Wespath

BENEFITS | INVESTMENTS



REACHING A FINANCIAL MILESTONE

Required Minimum Distributions

a general agency of The United Methodist Church



Required Minimum Distributions— Reaching a Financial Milestone

Turning age 70½ could mark an important milestone in your financial life. It is at this age that some people are required by federal law to begin taking distributions from their retirement accounts, even if they do not need the income. If you do not meet this requirement you may incur hefty tax penalties.

The annual payment you are required to take is called a required minimum distribution (RMD), and it is calculated each year according to IRS guidelines. RMDs must begin April 1 following the later of the year in which you reach age 70½ or the year in which you retire or terminate. If you take only your RMD, you may be able to keep the remaining money in your account* and defer taxation of it depending on the plan. Keep in mind that you can always withdraw more than the minimum amount. However, if you withdraw more than the minimum amount in the calendar year, the additional monies are not counted toward any future RMDs.

This brochure summarizes RMD rules, how to evaluate your options and what you need to do to start receiving payments. Because Wespath Benefits and Investments (Wespath) cannot provide tax advice, we suggest that you consult with a financial planner, estate planner, tax adviser and/or attorney.



*** Refer to the plan's summary plan description for more information.**

Frequently Asked Questions About RMDs

Q. What is an RMD?

A: An RMD is the minimum amount that must be withdrawn from your retirement account(s) no later than the required beginning date according to federal law. Your required beginning date depends on your circumstances. Please refer to pages 5 through 8 to determine your required beginning date.

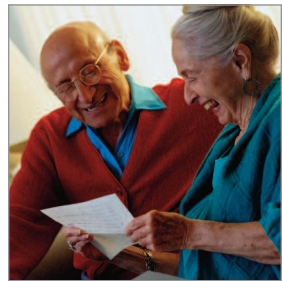
Q: Why do Wespath's plans have RMDs?

A: Wespath administers retirement plans that are qualified under Internal Revenue Code (Code) sections 401(a), 401(k) and 403(b) and are subject to the requirements of section 401(a)(9) of the Code, which deals with RMDs. These distribution requirements are detailed in IRS *Publications 575* and *590*.

Q: Are RMDs subject to income tax withholding?

A: For U.S. citizens, 10% federal income tax will be withheld on the taxable portion of your distribution. RMDs may also be subject to state taxes. In most cases, you may elect to have no federal or state income tax withheld or to have more than 10% federal tax withheld. To make these elections, submit an *IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments* and a *State Income Tax Withholding Form*. You can download *IRS Form W-4P* at www.irs.gov. Or you may contact Wespath for copies of both of these forms.

If you are a nonresident alien, the amount of federal tax withholding we will apply is based on various factors, such as where your service was performed when the contributions were earned, whether you are eligible to receive tax treaty benefits, and whether we have a valid *IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding* on file for you. Contact Wespath for more information.



An RMD is the minimum amount that must be withdrawn from your retirement account(s) no later than the required beginning date (RBD).

Q: What happens if I received payments from the plan during the calendar year?

A: If you received payments (including cash installments), the payments are applied against your RMD, reducing the remaining amount to be paid from each individual plan.

Q: May I withdraw more than the RMD?

A: Yes, you may withdraw more than the RMD. Any amount distributed in excess of the RMD that is rollover-eligible is subject to 20% federal withholding and applicable state taxes unless the amount is directly rolled over into another eligible retirement plan. Amounts withdrawn in excess of the RMD for a calendar year are not counted toward your RMD in any future year.

Q: Are my beneficiaries also subject to the RMD rules?

A: Yes, after your death, your beneficiaries are subject to these rules. You can learn more by viewing the plan's summary plan description at www.wespath.org/retirement/plan.

Q: What are the penalties if I miss a deadline?

A: If you do not take an RMD by the required beginning date, the IRS may impose a penalty of 50% on the distribution that you should have taken.



Frequently Asked Questions About RMDs

Q: Who is responsible for satisfying the RMD?

A: Although Wespath distributes the amount to you, you are responsible for satisfying the IRS rules and regulations.

Q: Can I roll over my RMDs?

A: This type of distribution is not rollover eligible. If you request a rollover and an RMD is due for the year, you must satisfy the RMD before rolling over the remainder of your eligible money.

Q: Can I fulfill my RMD through another plan?

A: The Code does not permit participants to satisfy their RMD from another plan of the same type [e.g., 403(b), 401(k), etc.]. Wespath rules also require the RMDs to be satisfied from each individual plan subject to that plan's rules for RMDs.



Although Wespath distributes the RMD to you, you are responsible for satisfying the IRS rules and regulations.

RMDs and You

RMD rules and calculations vary depending on whether you are a participant, spousal beneficiary, alternate payee or non-spousal beneficiary.

Participants

A *participant* is a person who qualifies or once qualified for plan enrollment, including a retired employee.

When am I required to begin taking RMDs?

Under the United Methodist Personal Investment Plan (UMPIP), Clergy Retirement Security Program (CRSP) Defined Contribution (DC), Retirement Plan for General Agencies (RPGA) and Horizon 401(k) Plan (Horizon), participants must begin receiving RMDs by the required beginning date. The required beginning date is the later of April 1 following the calendar year in which they reach age 70½ or the year in which they retire or terminate. Subsequent RMDs must be received no later than December 31 of every year.

Under CRSP Defined Benefit (DB), the Ministerial Pension Plan (MPP) and the Pre-82 Plan, participants must begin receiving annuity benefits by the required beginning date.

How is the RMD calculated?

Under UMPIP, CRSP DC, RPGA and Horizon, the RMD is calculated by dividing the adjusted market value of the account as of December 31 of the prior year by the applicable life expectancy factor, which is obtained from the appropriate life expectancy table.

Under CRSP DB, MPP and the Pre-82 Plan, starting annuity benefits by the required beginning date satisfies the RMD responsibility.

What life expectancy table is used to calculate the RMD?

The *Uniform Lifetime Table* is generally used to determine the RMD. If a participant's spouse is more than 10 years younger and is the sole designated beneficiary, the *Joint Life and Last Survivor Expectancy Table* is used.

RMDs and You

Spousal Beneficiaries

A *spousal beneficiary* refers to the surviving husband or wife who was legally married to the originating participant on the date of the originating participant's death. Wespath will pay the benefit to the spousal beneficiary if the participant dies before receiving a benefit or a complete distribution from his or her account, unless another beneficiary is entitled to the plan's benefits.

When is a spousal beneficiary required to begin taking RMDs?

Under UMPIP, CRSP DC, RPGA and Horizon, if the participant dies before the required beginning date, and no election was made prior to the participant's death, the spousal beneficiary will begin receiving RMDs. The spouse's required beginning date is December 31 of the year the deceased participant would have reached age 70½ or December 31 of the year following the year of his or her death, whichever is later. Subsequent RMDs must be paid no later than December 31 of every year thereafter.

Under CRSP DB, MPP and the Pre-82 Plan, spousal beneficiaries must begin receiving annuity benefits by the spouse's required beginning date.

If the participant dies after the required beginning date but before receiving an RMD for that year, under UMPIP, CRSP DC, RPGA and Horizon provisions, the spousal beneficiary must begin receiving RMDs by December 31 of the year the participant died. Subsequent RMDs must be paid to the spousal beneficiary no later than December 31 of every year thereafter.

How is the RMD calculated?

Under UMPIP, CRSP DC, RPGA and Horizon, the RMD is calculated by dividing the adjusted market value of the account as of December 31 of the prior year by the applicable life expectancy factor, which is obtained from the appropriate life expectancy table.

Under CRSP DB, MPP and the Pre-82 Plan, starting annuity benefits by the required beginning date satisfies the RMD responsibility.

What life expectancy table is used to calculate the RMD?

If the participant dies before his or her required beginning date, the spouse's life expectancy is determined using the *Single-Life Table* and recalculated each year that an RMD is due.

If the participant dies on or after his or her required beginning date, life expectancies are determined using the *Single-Life Table*. The life expectancy of the participant (using his or her age in the year of death) is compared to the life expectancy of the spouse (using his or her age in the year following the participant's death), and the longer life expectancy is used. If the longer life expectancy is that of the participant, beginning within the year following the participant's death, it is reduced each year by one. If the longer life expectancy is that of the spouse, it is recalculated each year. (Recalculation generally will reduce the amount of each RMD, causing the payments to be made over a longer period of time.)

Alternate Payees

An *alternate payee* refers to a participant's spouse or former spouse entitled to receive a portion of his or her account under a qualified domestic relations order (QDRO).

When is an alternate payee required to begin taking RMDs?

Under UMPIP, CRSP DC, RPGA and Horizon, alternate payees must begin receiving RMDs by the required beginning date. The required beginning date is the later of April 1 following the calendar year in which the related participant turns age 70½ or the year in which the related participant retires or terminates. Subsequent RMDs must be received no later than December 31 of every year.

Under CRSP DB, MPP and the Pre-82 Plan, alternate payees must begin receiving annuity benefits by the required beginning date.

Under UMPIP, CRSP DC, RPGA and Horizon, if the participant dies before the required beginning date, and no election was made prior to the participant's death, the alternate payee will begin receiving RMDs. The alternate payee's required beginning date is December 31 of the year the deceased participant would have reached age 70½ or December 31 of the year following the year the deceased participant's death, whichever is later. Subsequent RMDs must be paid no later than December 31 of every year thereafter.

How is the RMD calculated?

Under UMPIP, CRSP DC, RPGA and Horizon, the RMD is calculated by dividing the adjusted market value of the account as of December 31 of the prior year by the applicable life expectancy factor, which is obtained from the appropriate life expectancy table.

Under CRSP DB, MPP and the Pre-82 Plan, starting annuity benefits by the required beginning date satisfies the RMD responsibility.

What life expectancy table is used to calculate the RMD?

While the participant is still living, the alternate payee's RMDs are calculated based on the life expectancy of the participant according to the *Uniform Lifetime Table* and recalculated each year thereafter. If the alternate payee is more than 10 years younger than the participant, the RMDs are calculated using the *Joint and Last Survivor Table* and recalculated each year.

After the participant's death, life expectancies are determined using the *Single-Life Table*. If the participant dies before his or her required beginning date, the alternate payee's life expectancy is determined using the *Single-Life Table* and recalculated each year that an RMD is due. If the participant dies on or after his or her required beginning date, the life expectancy of the participant (using his or her age in the year of death) is compared to the life expectancy of the alternate payee (using his or her age in the year following the participant's death), and the longer life expectancy is used. If the longer life expectancy is that of the participant, beginning with the year following the participant's death, it is reduced each year by one. If the longer life expectancy is that of the alternate payee, it is recalculated each year.

RMDs and You

Non-Spousal Beneficiaries

Non-spousal beneficiaries are the persons or entities (such as estates or trusts) to whom Wespath will pay account balances if the participant dies before receiving complete distributions of his or her accounts.*

When is a non-spousal beneficiary required to begin taking RMDs?

Under UMPIP, CRSP DC, RPGA and Horizon, if the participant dies before the required beginning date, and if no election is made by December 31 following the calendar year of death for a distribution over the life of the non-spousal beneficiary(ies), the non-spousal beneficiary(ies) will receive the entire account balance by December 31 of the fifth year following the participant's death.

Please note: Account balances may be rollover eligible in the first four years following death. In the fifth year following death, the entire remaining account balance is considered an RMD and is not eligible to be rolled over.

If the participant dies on or after his or her required beginning date, the non-spousal beneficiary must continue to receive RMDs.

If the non-spousal beneficiary is an estate, trust or other entity, it may elect to receive the remaining benefits in a lump-sum or to defer payment until as late as December 31 of the fifth year following the participant's death.

What life expectancy table is used to calculate the RMD?

If the participant dies before his or her required beginning date, and if the beneficiary elects to receive distributions over his or her life, no later than December 31 following the year of the participant's death, the beneficiary's life expectancy is determined using the *Single-Life Table*. Each year thereafter, the life expectancy is reduced by one. If more than one beneficiary shares in each RMD, the life expectancy of the oldest beneficiary is used.

If the participant dies on/after his or her required beginning date, the beneficiary must continue to receive annual RMDs. The life expectancy of the participant (using his or her age in the year of death) is compared to the life expectancy of the beneficiary (using his or her age in the year following the participant's death), and the longer life expectancy is used. If the participant has the longer life expectancy, each year thereafter, the life expectancy is reduced by one. If the beneficiary has the longer life expectancy, the life expectancy is reduced by one beginning with the second year following the participant's death.

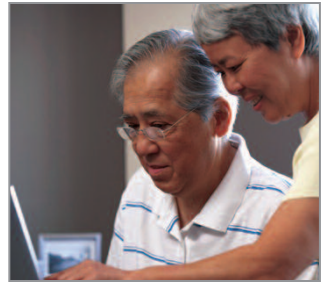
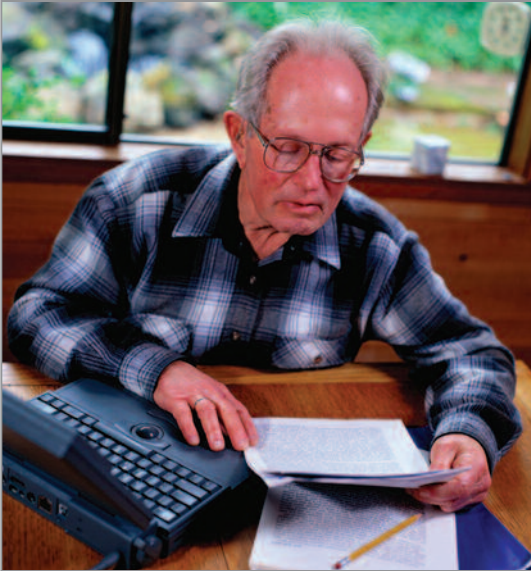
WHERE CAN I FIND THE LIFE EXPECTANCY TABLES?

The tables referred to above and on previous pages may be found on the IRS website at <http://www.irs.gov/pub/irs-pdf/p590b.pdf>. The tables are also available from Wespath upon request.

* This document does not apply if you are a beneficiary of a beneficiary or if you are a beneficiary of an alternate payee. Please contact Wespath if you have any questions.

Taking the Next Step

Now that you understand the importance of taking RMDs, we hope you will take this opportunity to discuss strategies with your financial planner, estate planner, tax adviser and/or attorney that will help you meet your ongoing retirement needs and goals.



QUESTIONS?

Call Wespath at 1-800-851-2201. Representatives are available Monday through Friday from 8:00 a.m. to 6:00 p.m., Central time.

For more information about RMDs, please refer to the summary plan description for each plan, available at www.wespath.org/retirement/plan.



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Caring For Those Who Serve

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