

2021 Fair Market Value letters and RMD requirements update

February 10, 2021

We're experiencing a high volume of calls related to the Fair Market Value (FMV) letters that were recently sent to customers. In these letters, Athene reports the FMV of the contract as of December 31 of the prior tax year and the required minimum distribution (RMD) amount calculated by Athene for the current year. Many of these questions are concerning the SECURE Act change to the required beginning age and whether the CARES Act waiver of RMDs includes calendar year 2021.

To help you address these concerns with customers, we've put together the following list of frequently asked questions.

Frequently Asked Questions

Q. Are RMDs suspended in 2021 like they were in 2020?

A. No. The CARES Act, passed in March of 2020, temporarily waived RMDs for all types of retirement plans (including IRAs, 401(k)s, 403(b)s, 457(b)s, and inherited IRA plans) for calendar year 2020. This waiver only applied to 2020 RMDs and does not impact RMDs for 2021.

As a result, if customers were taking RMDs before 2020, then they will need to begin taking them again in 2021. Additionally, if a customer turns 72 in 2021 and did not turn 70½ on or before December 31, 2019, then the customer will need to begin taking RMDs for the first time this year.

Q. If customers had previously automated their RMDs, do they need to take any action to restart those withdrawals?

A. Depending on which action customers took in 2020 in response to the CARES Act waiver, they may need to take action to resume withdrawals in 2021:

- If a customer terminated their systematic withdrawals in 2020, they will you re-establish those withdrawals for 2021 and beyond.
- If a customer suspended their systematic withdrawals in 2020, they must call in or submit form #15140 to restart their RMD withdrawals for 2021.
- If a customer chose to skip/push out their RMD payment, their withdrawal(s) will automatically resume in 2021.

For customers that elect to send in a form each year for their RMD, they will need send one in 2021.

Q. Do customers need to take more than one RMD in 2021 to make up for skipping one in 2020?

A. No. The CARES Act waiver in 2020 didn't delay the requirement to take an RMD for that year. It eliminated the requirement to take an RMD for the 2020. Customers can restart, or begin taking, your RMDs in 2021 and do not need to take one for 2020.

Q. If a customer turned 70 ½ in 2019 and delayed taking their first RMD until 2020, did they need to take it in 2020?

A. No. The CARES act waived all RMDs in calendar year 2020. If a customer turned 70½ in 2019, and delayed their RMD until April 1, 2020, and chose not to take it then either, then the customer's first RMD must be withdrawn by December 31, 2021.

Q. If a customer turned 72 in 2020, do they need to take their first RMD by April 1, 2021?

A. No. The SECURE Act, passed in December 2019, changed the beginning age at which RMDs are required to age 72 for individuals who turn 70 ½ after January 1, 2020. As a result, if a customer was born on or after July 1, 1949, their first would have been required by April 1, 2021. However, the CARES act waived all RMDs for calendar year 2020. The IRS issued guidance that clarified that the requirement to take that first RMD by April 1, 2021 distribution was also waived. Therefore, the client's first RMD is their RMD for calendar year 2021 that will need to be taken no later than December 31, 2021.

Q. What is the required beginning age for RMDs?

A. For customers born on or after July 1, 1949, they must begin taking RMDs starting with the year they reach the age of 72 and each year thereafter. For individuals born before July 1, 1949, RMDs were required to begin at age 70½ and continue each year thereafter. The CARES Act only waived the requirement to take an RMD for calendar year 2020. As a result, if customers were taking RMDs before 2020, then they will need to begin taking them again in 2021. Additionally, if a customer turns 72 in 2021 and did not turn 70½ on or before December 31, 2019, then the customer will need to begin taking RMDs for the first time this year.

Any information regarding taxation contained herein is based on our understanding of current tax law, which is subject to change and differing interpretations. This information should not be relied on as tax or legal advice and cannot be used by any taxpayer for the purposes of avoiding penalties under the Internal

Revenue Code. We recommend that taxpayers consult with their professional tax and legal advisors for applicability to their personal circumstances.

Thank you for your business. At Athene, we're committed to helping take you to the next level.