

# 2021 Required Minimum Distribution requirements

April 2021

The Coronavirus Aid, Relief and Economic Security (CARES) Act waived required minimum distributions (RMDs) from qualified plans and individual retirement accounts (IRAs) for 2020; this waiver does not apply to RMDs for 2021. As a result, if clients were subject to RMDs prior to 2020, they will need to begin taking them again in 2021.

Additionally, in response to the passage of the Setting Every Community Up for Retirement Enhancement (SECURE) Act in December 2019, clients who turn 72 in 2021 and who did not turn 70½ on or before December 31, 2019, will be required to begin taking RMDs for the first time in 2021.

Last year, AIG notified all qualified plan and IRA contract owners that RMDs were waived in 2020. To ensure that clients are aware that RMDs are not similarly waived this year, this bulletin outlines the steps that AIG is taking to communicate RMD requirements for 2021.

The Q&A below provides more detail on the provisions outlined above. This communication is not tax or legal guidance.

## AIG Annuities RMD communication

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- Q:** *If an individual was enrolled in an RMD systematic withdrawal program from their AIG Annuities contract and elected to defer their RMD withdrawals in 2020, will their withdrawals begin again automatically in 2021?*
- A:** Yes. If the individual elected to defer their RMD withdrawals, those payments will resume automatically on their chosen frequency in 2021. If the individual chose to cancel their RMD systematic withdrawal program, then they will need to call us to reestablish those withdrawals for 2021.
- Q:** *Will AIG communicate RMD requirements to individuals who were subject to RMD prior to 2020 and not enrolled in an RMD systematic withdrawal program?*
- A:** Yes. AIG will send a letter to all individuals who are subject to RMD in 2021 and who are (1) not enrolled in an RMD systematic withdrawal program (and therefore will need a reminder); or (2) newly subject to RMD and need to know that they are required to take RMDs this year.
- Q:** *Will AIG notify individuals who are turning 72 this year that they are required to begin taking RMDs in 2021?*
- A:** Yes. AIG will send a letter to all individuals who are turning 72 in 2021 to notify them that they are required to begin taking RMDs and must take the first RMD by April 1, 2022.

## 2021 RMD requirements

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- Q:** *Are RMDs suspended in 2021 like they were in 2020?*
- A:** No. The CARES Act waiver only applied to RMDs in 2020 and does not apply to RMDs for 2021.
- Q:** *If individuals were subject to RMDs prior to 2020, does that mean they are also subject to RMD in 2021?*
- A:** Yes, individuals who were born before July 1, 1949 and who were subject to RMDs prior to 2020 must continue taking RMDs in 2021.

**Q:** *What is the required beginning age for RMDs?*

**A:** Due to the SECURE Act, the age at which an individual is first subject to RMDs from a qualified plan or IRA depends on the individual's birthdate:

- Individuals born before July 1, 1949 were subject to RMDs beginning at age 70½ and each year thereafter.
- Individuals born on or after July 1, 1949 must begin taking RMDs beginning at age 72 and each year thereafter.

**Q:** *If an individual is turning age 72 in 2021, when is their first RMD due?*

**A:** If an individual is turning age 72 in 2021 and taking their first RMD, they will have until April 1, 2022 to do so. For each subsequent year, the RMD must be taken by December 31st of that year. If the individual chooses to defer their first RMD until April 1, they will be responsible for 2 withdrawals that year (one by April 1 and one by December 31), which could result in a larger tax liability and potential impacts to benefits associated with the individual's contract, as applicable.

**Q:** *Does an individual subject to RMD need to take more than one RMD in 2021 to make up for skipping one in 2020?*

**A:** No. The CARES Act waiver eliminated the requirement to take an RMD in 2020. The 2021 RMD will be calculated based on the December 31, 2020 notional value.

**Q:** *If an individual is the beneficiary of an eligible retirement account and is receiving annual distributions over their life expectancy, are they required to take an RMD in 2021?*

**A:** Yes. All RMDs from eligible retirement accounts, including those applicable to beneficiaries, are required for 2021.

## Questions and contact information

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If you have any questions please contact your broker-dealer, or agency back office, or the AIG Annuity Sales Desk.

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