What minimum distribution requirements apply to individual account plans during the lifetime of the employee?

To satisfy IRC Section 401(a)(9)(A), the entire interest of each employee either must be distributed to the employee in its entirety not later than the required beginning date or must be distributed starting not later than the required beginning date over the life (or life expectancy) of the employee (or the employee and a beneficiary).[[1]](#footnote-1)

**Planning Point: RMDs were waived for 2009. A distribution for 2009 required to be made by December 31, 2009 could be waived. A distribution for 2009 required to be made by a beginning date of April 1, 2010 could also be waived. But a distribution for 2008 that was made by a beginning date of April 1, 2009 could not be waived.**

*Uniform Lifetime Table.* Required minimum distributions from an individual account under a defined contribution plan during the owner’s lifetime are calculated by dividing the employee’s account balance by the applicable distribution period determined from the RMD Uniform Lifetime Table.[[2]](#footnote-2) The amount of an individual’s lifetime required distribution is calculated without respect to the beneficiary’s age, except in the case of a spouse beneficiary who is more than ten years younger than the employee.[[3]](#footnote-3)

If the sole designated beneficiary is the employee’s spouse, the distribution period during the employee’s lifetime is the longer of the uniform lifetime table or the joint and survivor life expectancy of the employee and spouse using their attained ages in the distribution calendar year.[[4]](#footnote-4) As a practical matter, the joint and survivor life expectancy table will produce a longer (and thus, lower) payout only if the spouse beneficiary is more than ten years younger than the employee.

*Account balance.* For purposes of calculating minimum distributions, the account balance is determined as of the last valuation date in the immediately preceding calendar year (i.e., the valuation calendar year).[[5]](#footnote-5) The account balance is increased by the amount of any contributions or forfeitures allocated to the employee’s account as of

What minimum distribution requirements apply to individual account plans during the lifetime of the employee?

dates in the valuation calendar year after the valuation date. Contributions include contributions made after the close of the valuation calendar year that are allocated as of a date in the valuation calendar year.[[6]](#footnote-6) The account balance is decreased by any distributions made during the valuation calendar year, after the valuation date.[[7]](#footnote-7) The account balance does not include the value of a qualifying longevity annuity contract purchased after July 2, 2014.[[8]](#footnote-8)

*Employee not fully vested.* If a portion of an employee’s individual account is not vested as of the employee’s required beginning date, the benefit used to calculate the required minimum distribution for any year is determined without regard to whether all of the benefit is vested, and distributions will be treated as being paid from the vested portion of the benefit first. If the required minimum distribution amount is greater than the vested benefit, only the vested portion is required to be distributed.[[9]](#footnote-9) In any event, the required minimum distribution amount will never exceed the entire vested account balance on the date of distribution.[[10]](#footnote-10) The required minimum distribution for subsequent years, however, must be increased by the sum of amounts not distributed in prior calendar years because the employee’s vested benefit was less than the required minimum distribution amount.[[11]](#footnote-11)

Distributions made prior to an individual’s required beginning date are not subject to these rules. If distributions begin under a distribution option, such as an annuity, that provides for payments after the individual’s required beginning date, distributions that will be made under the option on and after that date must satisfy these rules or the entire option fails from the beginning.[[12]](#footnote-12)

Distributions in excess of the amounts required under these rules do not reduce the amount required in subsequent years.[[13]](#footnote-13) Rollovers and transfers among plans during years in which distributions are required under these rules can have a significant effect on the application of the minimum distribution rules.[[14]](#footnote-14) Rules pertaining to separate accounts or segregated shares under a single plan, to employees participating in more than one

What minimum distribution requirements apply to individual account plans during the lifetime of the employee?

plan, and other special rules affecting the application of the minimum distribution requirements are set forth in Treasury Regulation Section 1.401(a)(9)-8.Distributions made in accordance with the provisions set forth in Treasury Regulation Section 1.401(a)(9)-5, as explained above, will satisfy the minimum distribution incidental benefit requirement.[[15]](#footnote-15)

1. IRC Sec. 401(a)(9)(A). [↑](#footnote-ref-1)
2. Treas. Reg. §1.401(a)(9)-9, A-2. [↑](#footnote-ref-2)
3. Treas. Reg. §1.401(a)(9)-5, A-4. [↑](#footnote-ref-3)
4. Treas. Reg. §1.401(a)(9)-5, A-4(b). [↑](#footnote-ref-4)
5. Treas. Reg. §1.401(a)(9)-5, A-3(a). [↑](#footnote-ref-5)
6. Treas. Reg. §1.401(a)(9)-5, A-3(b). [↑](#footnote-ref-6)
7. Treas. Reg. §1.401(a)(9)-5, A-3(c)(1). [↑](#footnote-ref-7)
8. Treas. Reg. §1.401(a)(9)-5, A-3(d). See Treas. Reg. §1.401(a)(9)-6, A-17 for definition of QLAC. [↑](#footnote-ref-8)
9. Treas. Reg. §1.401(a)(9)-5, A-8. [↑](#footnote-ref-9)
10. Treas. Reg. §1.401(a)(9)-5, A-1(a). [↑](#footnote-ref-10)
11. Treas. Reg. §1.401(a)(9)-5, A-8. [↑](#footnote-ref-11)
12. Treas. Reg. §1.401(a)(9)-2, A-4. [↑](#footnote-ref-12)
13. Treas. Reg. §1.401(a)(9)-5, A-2. [↑](#footnote-ref-13)
14. Treas. Reg. §1.401(a)(9)-7. [↑](#footnote-ref-14)
15. Treas. Reg. §1.401(a)(9)-5, A-1(d). Under the proposed rules, (d) becomes (e). [↑](#footnote-ref-15)