

Age 73 DROP (or IBO) Minimum Distribution Requirement

According to IRS tax law, you cannot keep untaxed funds in an account indefinitely, including your DROP or IBO funds. Eventually your funds must be distributed. The amount that must be distributed each year is called the Required Minimum Distribution (RMD). Generally, an individual who attains age 72 after December 31, 2022, and age 73 before January 1, 2033, must begin receiving distributions by **April 1** of the year following the year in which you reach age 73. The RMD distribution for any year after the year in which you reach age 73 must be made by December 31 of that later year. **Failure to make annual withdrawals (distributions) for the minimum required amount may result in the IRS imposing an annual excise tax (presently 50%) on the amount that should have been withdrawn (distributed).**

Refer to IRS Publication 590-B (2023), for instructions on how to calculate your RMD distributions for all funds you have that might be subject to the IRS/RMD rules, including your DROP/IBO account balance. Check for IRS updates to Pub 590-B each year. Federal law requires you to pool ("aggregate") certain retirement accounts to satisfy the RMD rules. Different rules might apply if you have a beneficiary, your beneficiary is not your spouse, if your beneficiary is more than 10-years younger than you, or if you die before the required beginning date for the distributions. The yearly RMD can be withdrawn from your DROP/IBO account in a series of installments (monthly, quarterly, yearly, etc.), as long as the total withdrawals for the year are at least as much as required by the IRS/RMD laws.

We suggest you seek the guidance of a financial advisor or a tax professional to determine how much you must withdraw from your DROP/IBO account each year, as the amount may change each year depending on your DROP/IBO balance. It is solely up to you and your tax advisor to calculate the amount to be withdrawn each year and to submit the proper forms to the retirement staff for your RMD withdrawal. The IRS rules may change without further notice to you. You should furnish your advisor with copies of the quarterly DROP/IBO balance statements that you receive from us (FRS), along with this notification.

The IRS rules concerning RMDs are very complicated, and this notification does not address all the rules. The purpose of this notification is to prompt you to take additional action to determine your tax rights and obligations. Although we strive to be as helpful as possible, we cannot give tax advice, tax instructions, or legal advice, and this notification should not be relied on for that purpose.