

# Approaching age 70½?

## Know the rules for withdrawing funds from your 401K or 457 account

**F**or investors in both the TexaSaver Program's 401(k) and 457 Plans and the prior 457 Plan, federal law mandates that retirees begin taking required minimum distributions at age 70½. A required minimum distribution application must be completed for each Plan.

If you have accounts in more than one Plan, these accounts cannot be combined when calculating the required minimum distribution. The calculations are done separately for each Plan using the account balance as of the last day of the previous year.

Age	Divisor	Age	Divisor
70	27.4	86	14.1
71	26.5	87	13.4
72	25.6	88	12.7
73	24.7	89	12.0
74	23.8	90	11.4
75	22.9	91	10.8
76	22.0	92	10.2
77	21.2	93	9.6
78	20.3	94	9.1
79	19.5	95	8.6
80	18.7	96	8.1
81	17.9	97	7.6
82	17.1	98	7.1
83	16.3	99	6.7
84	15.5	100	6.3
85	14.8	101	5.9

Source: U.S. Internal Revenue Service – IRS tables are subject to change.

To figure your required minimum distribution, divide the value of each of your accounts separately by the divisor in the table corresponding to the age you reached this year. The result is the amount you must take as a distribution.

If you will turn 70½ in 2006 and have retired, you have until April 1, 2007 to take your required minimum distribution for tax year 2006, based on your account's value on December 31, 2006. After that, you must take your distribution by December 31 each year. Therefore, if you wait until April 1, 2007 to take your distribution for 2006, you must take another distribution by December 31, 2007. Because distributions count as income, taking two in a single year could push you into a higher income tax bracket.

The penalties for not taking a required minimum distribution on time are harsh. If you have retired and do not take this distribution in a given year, you are subject to a penalty of 50 percent of the amount that should have been distributed.

To figure your required minimum distribution, look at the table to the left. Divide the value of each of your accounts separately by the divisor in the table corresponding to the age you reached this year. The result is the amount you must take as a distribution.

### If you have a TexaSaver Account

You can get a required minimum distribution (RMD) application from the forms section of the ERS website or call TexaSaver's third party administrator, CitiStreet, at (800) 634-5091. In the fall and spring, CitiStreet sends an RMD letter and form to all participants who are approaching age 70½.

### If you have a Prior 457 Account

Forms for the Prior 457 Plan and directions on how to fill them out are on



the ERS website at [www.ers.state.tx.us/forms](http://www.ers.state.tx.us/forms), then choose "Prior 457 Plan Forms" from the list. You can also call ERS and ask for a distribution form.

### What if you are not retired at 70½?

If you are still employed with the State at 70½, you *do not* have to take a required minimum distribution until you retire. If you are employed and have already begun taking your required minimum distributions, you may choose to stop receiving distributions until you retire. If you are receiving installment payments, you will continue receiving these payments unless you notify CitiStreet in writing to discontinue.

Due to the complexity of rules regarding the required minimum distribution, you may want to consult with your tax advisor or the Internal Revenue Service (IRS) to discuss how to best comply with the rules based on your financial situation.

**Failure to withdraw funds from your account could result in a significant tax penalty (as much as 50%).**

## Employees Retirement System of Texas

[www.ers.state.tx.us](http://www.ers.state.tx.us)  
(512) 867-7711 in Austin  
(877) 275-4377, toll-free

