

## Important Information Regarding Required Minimum Distributions

### What is a “required minimum distribution” (RMD)?

- The Internal Revenue Code establishes a mandatory date by which participants must begin taking distributions from their qualified retirement plan. A minimum payment must be made to these participants by a specific date and for each calendar year thereafter. This annual distribution is referred to as the “required minimum distribution” (RMD).

### Who must take a RMD Distribution?

- If you have any participants who reach age 70 ½ or older during the current calendar year and are no longer actively employed, they are required by the IRS to take a distribution.
- If you have any participants who reach age 70 ½ or older during the current calendar year and own more than 5% of the company, the IRS requires that they must take a distribution even if still actively employed.
- Family members of more than 5% owners must also take a distribution if the family members are age 70 ½ or older during the current calendar year. Family members include spouses, children, parents, and grandparents.

### When must a RMD Distribution be completed by?

- An RMD must be processed by 12/31 of the year in which the distribution is required.
- For the first year only that the RMD is required, a participant may defer his/her payment until April 15<sup>th</sup> of the following year. Please note: If the first year RMD is deferred to the second year, the participant will receive two RMDs in the second year (the deferred first year RMD plus the second year RMD).

### Who may elect to defer a RMD Distribution?

- If you have any participants who reach age 70 ½ while they are still actively employed, they may elect to defer the distribution until they are no longer actively employed or they may elect to take their distribution. **MORE THAN 5% OWNERS AND THEIR FAMILY MEMBERS DO NOT HAVE THE OPTION TO DEFER THEIR RMD, EVEN IF THEY ARE STILL ACTIVELY EMPLOYED.**

### What form do I need to complete?

- Distribute RMD** – Participants electing to take their distribution must complete the “Required Minimum Distribution” form. Please forward a copy of the form to The Vargo Company for processing and keep the original for your records. The participant only needs to complete this form once; The Vargo Company will automatically process future distributions based on this initial form unless we are notified of any changes.
- Defer RMD** – Participants electing to defer their distribution must complete the “Election to Defer Distributions” form. Please retain the original form and forward a copy to The Vargo Company for our records. If a participant has previously completed an “Election to Defer Distributions” form and wishes to continue to defer, he/she does not need to complete the form again.

### Where are the forms located?

- Both the “Election to Defer Distributions” form and “Required Minimum Distribution” form are located in your plan document binder behind the Administrative Forms tab.
- These forms may also be obtained through our website. To access these documents online, simply visit our website at [www.thevargocompany.com](http://www.thevargocompany.com) and click on the Forms tab.