

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 1st 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 and click on the Forms tab.