



ADVANCED INCOME SOLUTIONS

Annuities and Required Minimum Distributions (RMDs)

SECURE 2.0 update

The SECURE 2.0 Act of 2022 (SECURE 2.0) was officially signed into law in December 2022. SECURE 2.0 is aimed at increasing access to retirement plans and retirement savings, streamlining administration and reporting requirements, and preserving retirement income. SECURE 2.0 also raised the age for RMDs to 73 for those who turn 72 after 2022 (and further raises it to 75 for those who turn 74 after 2032). Now, the first RMD must be taken by April 1st of the year following the year you turn 73. After that your RMDs must be taken by December 31st of each year. Note that if the RMD is delayed to April 1st of the year following the year you turn 73, two RMDs will be required in that year. Failure to do so may subject you to a penalty tax. You may withdraw, without penalty, more than the RMD amount.

New partial annuitization rule

As part of the SECURE 2.0 changes enacted into law, IRA income annuity owners can now choose to aggregate their income annuity with their other IRA accounts for purposes of determining their required minimum distributions. Previously, payments from an IRA income annuity could not be used to satisfy the RMDs required for any of the owner's other IRA accounts (including IRA deferred annuities), resulting in higher distributions than would have been required if the client did not own an income annuity. With this new change, payments from the income annuity may now offset additional RMDs that the client may have to take.

Let's look at an example.

Male, age 73

RMD factor = 26.5

(Based on the IRS Uniform Lifetime Table)

Fair Market Value (FMV) income annuity = **\$515K**

Fair Market Value (FMV) IRA account = **\$325K**

Total IRA FMV balance as of Prior Year
December 31st = **\$840K**

$\$840K / 26.5 = \$31,698.11$

Income Annuity, Life with Cash Refund*	IRA XYZ Brokerage Account
Premium \$500K : Total Annual Income = \$42,074	Beginning Account Value \$300K
Prior Year December 31 st Fair Market Value = \$515K	Prior Year December 31 st Fair Market Value = \$325K
RMD = income annuity payment satisfies RMD	RMD = \$12,264 for the IRA account

In this example, if the client chooses to use the new partial annuitization rule under SECURE 2.0 the client's aggregate RMD for the year, taking into account their IRA income annuity and IRA brokerage account, is **\$31,698.11**. The income annuity payment more than satisfies the RMD for the client's combined IRAs. This means the client can essentially eliminate the additional **\$12,264** RMD from their taxable income. Previously, this amount was required to be distributed from the IRA account as well, resulting in higher distributions and taxable income.

*GLI quote based on rates as of 5/12/2025

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How to calculate an RMD for an IRA owner

1. Take the FMV of the IRA(s) as of the prior year December 31st,
2. Find your applicable distribution period based on your age on the IRS Uniform Lifetime Table and *,
3. Divide the FMV of the account by the distribution period. The result is the RMD.

$$\text{FMV/Life expectancy factor} = \text{RMD}$$

*Note that if one's spouse is sole beneficiary and more than 10 years younger, this table does not apply and the joint and last survivor table must be used instead of the Uniform Lifetime Table which will produce a lower RMD.

This formula does not apply to RMDs for inherited IRAs. The Single Life Expectancy Table is used by most IRA beneficiaries.

Table III – IRS uniform lifetime table

Applicable age	Distribution period
72	27.4
73	26.5
74	25.5
75	24.6
76	23.7
77	22.9
78	22.0
79	21.1
80	20.2
81	19.4
82	18.5
83	17.7
84	16.8
85	16.0
86	15.2
87	14.4
88	13.7
89	12.9
90	12.2
91	11.5
92	10.8
93	10.1
94	9.5
95	8.9
96	8.4

Applicable age	Distribution period
97	7.8
98	7.3
99	6.8
100	6.4
101	6.0
102	5.6
103	5.2
104	4.9
105	4.6
106	4.3
107	4.1
108	3.9
109	3.7
110	3.5
111	3.4
112	3.3
113	3.1
114	3.0
115	2.9
116	2.8
117	2.7
118	2.5
119	2.3
120+	2.0



Frequently asked questions:

Q. Which NYL annuities are considered income annuities?

A. The New York Life Guaranteed Lifetime Income Annuity II, Guaranteed Future Income Annuity II and Guaranteed Period Income Annuity II all fall under the category of an income annuity.

Q. How are our clients notified of their income annuity's FMV?

A. New York Life reports to the IRA owner and to the IRS by January 31st of each year the FMV of the IRA income annuity as of the end of the prior year.

Q. Can income from a QLAC be aggregated with a client's other IRA accounts for RMD purposes?

A. Yes, the RMD can be determined by aggregating the FMV of the QLAC with the FMV of the client's other IRA accounts and applying the QLAC annuity payments towards satisfying the client's aggregate RMD.

Q. If an IRA annuity is partially annuitized, can that income be aggregated with the client's other IRAs for RMD purposes?

A. Yes, the RMD can be determined by aggregating the FMV of the income annuity with the FMV of the client's other IRAs and applying the annuity payments towards satisfying the client's aggregate RMD.

Q. In general, which IRAs can be aggregated for RMD purposes?

A. Under the new partial annuitization rule, all IRAs that an individual holds as the owner (or all IRAs that an individual holds as a beneficiary) can be aggregated.

Q. Are New York Life annuities RMD friendly?

A. Our variable and fixed deferred annuities are "RMD friendly". This means that we waive any applicable surrender charges on amounts taken to satisfy the annual RMD amount. Note that while clients can aggregate their NYL IRA annuities for RMD purposes and take their RMD from any one or more IRA annuities or accounts, we will only waive the surrender charges for an RMD amount applicable to a policy. Therefore, if an aggregated RMD amount exceeds the free withdrawal amount for the policy year, surrender charges may apply to your RMD withdrawal.

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Withdrawals may be subject to ordinary income taxes and, if made prior to age 59½, may be subject to a 10% IRS penalty; Surrender charges may also apply.

Tax-qualified retirement plans, such as IRAs, already provide tax deferral under the Internal Revenue Code, so the tax deferral of an annuity does not provide any additional benefits.

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