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IRA required minimum distributions

If you have an IRA and you are approaching your 70th birthday, you may want to start planning to take action on an important requirement.

Generally, once you reach age 70½, you are required to begin taking annual withdrawals—required minimum distributions (RMDs)—from your traditional IRAs, as well as from rollover IRAs, SEP-IRAs and SIMPLE IRAs. Roth IRAs are not subject to RMDs during your lifetime. Beneficiaries of a Roth IRA, however, are subject to certain rules concerning when they must receive the remaining Roth IRA balance.

It is crucial that you learn about RMDs because if you don't withdraw your entire RMD each year, you will be subject to a *50% excess accumulation tax penalty* on the amount of the RMD that should have been withdrawn but was not.

When should you take your RMDs?

Although RMDs must be distributed by December 31 of the year they are due, your first RMD may be delayed until April 1 of the year following the year you reach age 70½. However, if you do so, you would be required to take two distributions during that calendar year: the first distribution by April 1 for age 70½ and the second by December 31 for age 71½. (See the table on the next page to view scenarios based on two different birthday dates.)

How much are you required to withdraw?

RMD amounts are determined by dividing your IRA's prior year-end account balance by a life expectancy factor based on the IRS Uniform Lifetime Table. If you have a spouse who is more than 10 years younger and is the sole beneficiary of your IRA, your life expectancy factor is based on the IRS Joint Life and Last Survivor Expectancy Table. (You can view the tables at www.irs.gov/publications, Publication 590.) UBS calculates the RMD for IRAs held at UBS and includes that amount in year-end account statements (sent in January), as well as in quarterly statements.



Automated RMD service available

For your convenience, UBS offers an automated RMD service that enables you to:

- Have your RMDs automatically calculated and withdrawn each year in your choice of annual, semi-annual, quarterly or monthly payments
- Receive the payments via check or electronic transfer, or have a check sent to a third party
- Elect to have federal and/or state taxes withheld from your RMDs

Your Financial Advisor can help you enroll in the automated RMD service.

Why do RMDs change every year?

Since your age, and therefore your life expectancy, and year-end account balance change every year, your RMD will change annually as well.

Important note: RMDs are based on the total value of all your IRAs. You can either withdraw your RMDs from one IRA or a combination of IRAs—it's your choice. It can be complicated to keep track of your annual RMDs if you have IRAs at more than one financial institution.

How can you simplify the RMD process for yourself?

One of the most important moves you can make to streamline the RMD process is to consolidate your IRAs at UBS, which can result in a number of benefits:

- **Easier RMD calculations**—helps assure that all pertinent accounts are taken into consideration when calculating your RMDs, thus helping you avoid IRS penalties for insufficient distributions.
- **More effective coordination of your investment strategy**—when you keep your savings with multiple financial institutions, you may not be aware of investments that overlap or lack diversification.
- **Fine-tuning of your overall asset allocation**—allowing you to address changes in your investment needs, time horizon and personal objectives as you begin to take withdrawals.

Is there a way to make a tax-free gift of your RMDs to your family and friends?

If you would like to give all or part of your RMDs as tax-free gifts to family or friends, you can make a gift of up to the tax-free limit (\$14,000 for 2013) per year, per person, to anyone you choose without triggering federal gift and estate taxes. You will still have to pay the applicable federal, state and local income taxes on your withdrawal, but your beneficiaries will receive the money tax-free. In addition, you will have reduced the future size of your estate, potentially easing

the eventual tax burden on your heirs. More importantly, you'll be able to see your loved ones enjoy your gift right now as they complete their education, start families or pursue other goals.

Tax-free RMDs in 2013? Yes, if you donate it to a qualified charity

If you don't need your RMD for income, it can offer an opportunity to support the charities of your choice. After you reach age 70½ you can currently contribute up to \$100,000 to a qualified charity tax-free—if you make this gift directly from your IRA. This qualified charitable distribution won't be included in your annual income, and it will count towards your RMD.

Transferring an RMD directly to a charity not only reduces your taxable income, but it also reduces your adjusted gross income. The result of which may be having less of your Social Security income taxed; it may also allow you to qualify for credits and deductions that you may not have qualified for otherwise because your income was too high.

We can help you manage your RMDs

Contact us to discuss your RMDs and how you can consolidate your IRA assets at UBS to help streamline management of your investments and RMD calculations. Also, don't forget to ask about the UBS automated RMD service.

RMD withdrawal deadlines based on two different birthday dates:

Your 70th birthday	February 1, 2013	September 1, 2013
You turn 70½	August 1, 2013	March 1, 2014
Your first RMD deadline	Any time up to April 1, 2014*	Any time up to April 1, 2015*
Your second RMD deadline	December 31, 2014	December 31, 2015

* **Note:** If you take advantage of the three-month grace period (i.e., until April 1 of the calendar year following the calendar year in which you turn age 70½) to take your first RMD, you'll have to pay taxes on two RMDs in the same year.

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Important information about Advisory & Brokerage Services

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