

New RMD Life Expectancy Tables for 2022

Starting with 2022, the life expectancy tables used to calculate required minimum distributions (RMDs) from qualified retirement accounts (IRAs and employer retirement plans) have been updated to reflect the increase in life expectancies experienced since the current tables came out in 2002. Ultimately, these changes mean that smaller distributions will be required to be taken on an annual basis, resulting in less taxation and longer lasting account balances, creating more of an opportunity for the funds to grow tax-deferred.

There are three life expectancy tables used for calculating RMDs.

- The Uniform Lifetime Table is used to determine the distribution period for account owners who must take RMDs during their lifetime.
- The Joint and Last Survivor Table is used when your spouse is the sole beneficiary and is more than 10 years younger than the IRA owner. This allows the account owner to calculate the RMD using a longer life expectancy than under the Uniform Lifetime Table, resulting in a smaller RMD.
- The Single Life Table is most commonly used for determining the distribution period that a beneficiary must use when an account owner dies.

Effect of the new Tables

RMDs are calculated by dividing the previous year-end account balance by a life expectancy factor. Below are examples of the effect of the new tables on this calculation.

Uniform Lifetime Table Example

IRA owner Sofia reaches age 75 in 2021 and her IRA was worth \$37,153.12 as of December 31, 2020. Her life expectancy factor for 2021 is 22.9. Sofia's RMD for 2021 is \$1,622.41 ($\$37,153.12/22.9$).

In 2022 Sofia reaches age 76 and her December 31, 2021 IRA value is \$38,000.00. Her life expectancy factor is 23.7. Her 2022 RMD is \$1,603.38 ($\$38,000.00/23.7$).

A smaller RMD means less taxable income and more retirement savings she can retain for tax-deferred growth.

2021 and Earlier Uniform Lifetime Table

Age of Employee	Distribution period
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0

2022 and Later Uniform Lifetime Table

Age of Employee	Distribution period
72	27.4
73	26.5
74	25.5
75	24.6
76	23.7
77	22.9
78	22.0

Joint Life and Last Survivor Table Example

Frank, age 73, named his 62 year old wife as the sole beneficiary of his IRA. The value of his IRA on December 31, 2020 is \$98,500.00. When calculating his 2021 RMD, Frank uses the Joint Life and Last Survivor Table to look up his age and his wife's age to find out the life expectancy factor attributed to them. For 2021 Frank will use a life expectancy factor of 25.4. His RMD for 2021 is \$3,877.95 ($\$98,500.00/25.4$). In 2022 Frank will turn 74 and his wife will turn 63. For his 2022 RMD calculation, Frank will use a life expectancy factor of 26.2. The value of Frank's IRA on December 31, 2021 is \$100,000.00. His 2022 RMD is \$3,816.79 ($\$100,000.00/26.2$).

The Transition Rule

Beneficiaries of retirement plans who have been using their life expectancy to take out their annual RMD will have the option of adjusting the life expectancy factor they use in 2022 to the new factor indicated in the Single Life Table. This "transition rule" permits beneficiaries to reset their distribution period based on the new table.

Single Life Table Example

George died at age 80 in 2018. George's non-spouse beneficiary, Rose, was 75 in the year he died. In 2019, Rose's distribution period was 12.7 (the single life expectancy of a 76-year-old). For her distribution in 2021, Rose reduces that figure to 10.7 years: one year for 2020 and one year for 2021. Normally, Rose would then reduce her distribution period by one more year for 2022, to 9.7.

Continuing with the example used above, Rose still uses her age in the year following George's death (age 76), but she simply replaces the old life expectancy in the year of death, 12.7, with the new one, which is 14.1. She then reduces that figure one year for each subsequent distribution year (2020, 2021, and 2022) to arrive at 11.1 instead of 9.7 (under the old tables).

NOTE: Beginning on January 1, 2022, RMD calculations performed by Oppenheimer & Co. Inc. will incorporate the new life expectancy tables.

Contact your Oppenheimer Financial Professional if you have questions or would like copies of the new life expectancy tables.