



## IRS PLANS TO UPDATE MORTALITY TABLES FOR REQUIRED MINIMUM DISTRIBUTIONS

*By Mercer's Ellen Stone, Margaret Berger, Brian Kearney and Geoff Manville  
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A recent IRS [proposal](#) would update the life expectancy and distribution period tables used to calculate required minimum distributions (RMDs) from qualified retirement plans, individual retirement accounts and annuities, and certain other tax-favored employer-provided retirement arrangements. The proposed tables reflect longer life expectancies than the current tables and so would provide smaller annual RMDs. Comments are due by Jan. 7, 2020, and a public hearing is scheduled for Jan. 23.

### LONGER LIFE EXPECTANCIES WOULD LEAD TO SMALLER RMDs

The new tables reflect longer life expectancies — on average, between one and two years longer than the current tables. Using the new life expectancies will lead to smaller RMDs. For example, the life expectancy at age 70 is 27.4 years under the current Uniform Lifetime Table but 29.1 years under the new table. A 70-year-old with a \$500,000 IRA balance would have an RMD of \$18,248 under the current table ( $\$500,000 / 27.4$ ), but an RMD of only \$17,182 using the new table ( $\$500,000 / 29.1$ ). According to the proposal's preamble, this reduction will “allow participants to retain larger amounts in their retirement plans to account for the possibility they may live longer.”

**Effective date and transition rules.** The proposed tables would apply for distribution calendar years beginning on or after Jan. 1, 2021. The distribution calendar year is the year to which the RMD relates, and not necessarily the year in which it's paid. An initial RMD is generally due by the April 1 after an individual reaches age 70-1/2, but subsequent RMDs are due by each Dec. 31. So for an individual who attains age 70-1/2 during 2020, the new tables would not apply to the 2020 RMD due April 1, 2021, but would apply to the 2021 RMD due Dec. 31, 2021.

**Input invited on periodic updates.** The proposal responds to a 2018 [executive order](#) that directed the Treasury Department and IRS to review the current life expectancy and distribution period tables. The order also directed Treasury to determine whether to issue updates annually or on another periodic basis. The current proposal doesn't address the frequency of future updates but specifically requests comments on this point, including the burden involved in implementing these updates.

## POTENTIAL LEGISLATIVE CHANGES

The RMD rules could change again if Congress acts on the Setting Every Community Up for Retirement Enhancement (SECURE) Act ([HR 1994](#)), which would increase the age at which mandatory withdrawals start from 70-1/2 to 72. This change would apply to RMDs made after Dec. 31, 2019, to individuals who attain age 70-1/2 after that date. The bill also would tighten the rules on inherited individual retirement and defined contribution plan accounts, requiring some nonspouse beneficiaries to take taxable withdrawals over a shorter period than under current law.

## RELATED RESOURCES

### Non-Mercer Resources

- [Proposed Regulations: Updated Life Expectancy and Distribution Period Tables for Minimum Required Distributions](#) (Federal Register, Nov. 8, 2019)
- [Executive Order 13847: Strengthening Retirement Security in America](#) (White House, Aug. 31, 2018)

### Mercer Law & Policy Resources

- [SECURE Act Stalls Amid Senate 'Holds'](#) (June 24, 2019)
- [House Passes SECURE Act To Bolster Retirement Plans](#) (May 24, 2019)
- [Bipartisan Retirement Reforms Pass Key House Panel](#) (April 3, 2019)

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