

RMD tables to change in 2022 – less will have to be taken by owners and beneficiaries

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Starting in 2022, the various life expectancy tables used by owners and beneficiaries to calculate required minimum distributions (RMDs) from qualified retirement plans, IRAs and nonqualified annuities are being updated. This is being done to reflect the increase in life expectancies experienced since the current tables came out in the early 2000s. The current tables will still be used to calculate [2021 required minimum distributions \(RMD\)](#).

[What is the impact of the new RMD tables for 2022](#)

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 (assuming negative investment performance doesn't severely affect the account balance), creating more of an opportunity to grow the funds in the account.

For instance, the current Uniform table life expectancy factor for a 73-year-old is 24.7 while the updated Uniform table life expectancy factor for a 73-year-old is 26.5. The Uniform table is used by most owners of IRAs and qualified retirement plans to calculate their annual RMDs. The increase in the life expectancy factor from the updated table means a smaller RMD for an account holder. For example, assuming a prior year end IRA balance of \$100,000, the old life expectancy factor of 24.7 results in a RMD of \$4,048.59, while the new life expectancy factor of 26.5 results in an RMD of \$3,773.59 – a \$275 difference, which stays in the IRA to continue to potentially grow tax deferred.

Beneficiaries of IRAs, retirement plans and nonqualified annuities who will start using their life expectancy to take out the annual RMD in 2022 will use the new factors from the Single Life table to start their payout schedule (the so-called “stretch” concepts), while those beneficiaries who have been using their life expectancy to take out their annual RMD will need to adjust the life

expectancy used in 2022 to reflect these new tables. To adjust the life expectancy used in 2022, the beneficiary must determine what their life expectancy from the new Single Life table would have been in their first distribution year, based on their age on December 31 of that year, and then subtract one for each succeeding year to obtain their 2022 life expectancy factor.

For example, assume the beneficiary of a nonqualified [deferred annuity](#) took their initial life expectancy-based payment in 2015 and their life expectancy that year under the old table was 29.6 years (age 55). In 2022 they would determine their age 55 life expectancy from the new Single Life table (31.6) and then subtract one from 2015 for every year until 2022:

- 30.6 (2016)
- 29.6 (2017)
- 28.6 (2018)
- 27.6 (2019)
- 26.6 (2020)
- 25.6 (2021)
- 24.6 (2022)

Making 24.6 the life expectancy factor to use in 2022, instead of 22.6 under the old factors. They would then continue subtracting one from the prior year life expectancy to determine the life expectancy factor to use in each subsequent year.

[Outlook for the updated life expectancy tables](#)

For many owners and beneficiaries, the overall increase in life expectancy represented in the updated tables is a welcome change as it will reduce the taxation on required distributions and provide more opportunity for growth and longer lasting account balances. If you would like to learn more about this change and see both the current and new tables check out our [white paper](#) on the table updates, or the final regulation notice at 26 CFR Part 1 [TD 9930] RIN 1545-BP11. Learn more about the [payout options beneficiaries of IRAs](#) and [nonqualified annuities](#) can use, by viewing these white papers.