Year-End Opportunity: Required Minimum Distributions

Promoting Required Minimum Distributions (RMDs) to clients and prospects at the end of the year is essential for several reasons:

1. **Attracting New Prospects**: Many retirees or near-retirees may be unaware of the importance of managing their RMDs properly to avoid cannibalizing their principal. Promoting this service can attract prospects who need assistance with their retirement planning, particularly as year-end deadlines approach.
2. **Tax Obligations**: Clients aged 73 or older must take RMDs from their retirement accounts to avoid significant tax penalties. Failing to meet this requirement can result in a hefty IRS penalty of 25% on the amount not withdrawn. Reminding clients about this can prevent costly mistakes and maintain your fiduciary responsibilities.
3. **Tax Planning Opportunities**: By taking RMDs strategically, clients & prospects may optimize their tax situation. For instance, withdrawing early or spreading out RMDs may help reduce tax bracket impact, especially if paired with charitable contributions or Roth conversions. This is great to promote to prospects who are concerned with their tax burdens as well.
4. **Client Trust and Retention**: Proactively addressing RMDs demonstrates that we are actively managing clients' financial well-being, enhancing trust. This also serves as an opportunity to strengthen client relationships by offering value-added advice during a key financial period.

Utilizing Bull's Eye Marketing to Promote RMDs to Prospects:

As the deadline for taking RMDs approaches, it provides a natural reason to engage with prospects who need help navigating the complexities of tax-advantaged retirement accounts.

Offering guidance on avoiding tax penalties and maximizing how our income message can provide them with better tax strategies. Here are some of the ways to utilize this topic:

Workshop

We have mailer campaigns, presentations, and scripts ready for you to use when hosting an RMD event. These workshops work particularly well at senior and community centers. Visit our school site to see all the material needed.

Webinar

If webinars are part of your strategy, we provide a presentation and script for RMDs, which consistently yield our highest booking ratios and attract top-tier prospects.

Lunch & Learn

Use our workshop materials and promote the event through email and social media to host an intimate lunch presentation.

Guest Speaking Opportunities

Use RMDs as an engaging speaking topic at local events or organizations. Organizations will appreciate you focusing on areas that their group is concerned with.

Financial Literacy Programs

Promote the timely topic to HR departments in local corporations for their education quotas. Customize the topic to fit the needs of the organization and get a solid referral stream once you obtain a client.

Email Blasts

Send targeted email campaigns to inform prospects about RMD deadlines and potential tax strategies. This will posture the advisor as a thought leader and can increase your email rates by sending timely information.

Reconnecting with Leads/Prospecting

RMD planning is a great reason why the prospect should reconnect with the advisor by promoting tax strategies and avoiding penalties.

Helpful Marketing Links on the School Website

- RMD Workshops
- RMD Webinars
- Are_Your_Allocations_Right_for_RMDs_Whitepaper

- RMD_Analysis_CTA_Whitepaper_Insert
- RMD Analysis CTA Infographic
- RMD Video Animation

RMDs in Client Service:

For Client Service Advisors (CSAs), reminding clients about their Required Minimum Distributions (RMDs) is a critical responsibility. Ensuring that clients meet their year-end RMD obligations not only helps them avoid costly tax penalties but also reinforces the value of the advisor-client relationship by showcasing proactive, personalized service. Below is a structured approach to how CSAs can effectively manage the RMD process and capitalize on additional planning opportunities:

Year-End Notification

One of the first steps for CSAs is sending a timely reminder to clients about their RMDs. Since clients aged 73 or older are required by the IRS to take distributions from certain retirement accounts (such as IRAs, 401(k)s, and annuities), it's crucial to notify them well in advance of the December 31st deadline. This can be done through various channels:

- **Email alerts**: Send personalized emails outlining the importance of RMDs and the impending deadline.
- **Phone calls:** Direct communication ensures that clients are aware and can ask any immediate questions.
- **Automated notifications:** Utilize CRM systems to trigger reminders based on client age and account types, keeping the process streamlined and efficient.
- **Client Educational Workshops:** Host workshops to educate clients about RMD requirements and tax-saving strategies, reinforcing your expertise and providing valuable, actionable insights.

Client Reviews

The RMD reminder also provides an excellent opportunity to schedule end-of-year reviews with clients. This allows CSAs to:

- Determine what assets are held within the firm versus outside the firm.
- Assess the client's current financial situation: Review the account balance to determine the RMD amount within the 8-step client review process.

- Discuss tax planning: Consider how the RMD will affect their overall tax liability and explore options such as:
    - Charitable donations (Qualified Charitable Distributions)
    - Roth conversions
    - Income reinvestment opportunities

By integrating RMD discussions into these reviews, CSAs can provide tailored advice while identifying other opportunities.

Paperwork Involved

Managing the paperwork required for RMDs is a crucial task to ensure accuracy and timeliness. Different types of accounts may require different processes, and it's the CSA's job to ensure everything is handled correctly.

- **Brokerage Accounts:** Ensure clients have authorized the distribution from their IRAs or other retirement accounts. Verify that all required paperwork is properly signed and submitted to avoid any delays.
- **Annuities:** For clients holding annuities, the CSA must coordinate with the insurance company to facilitate the RMD. Annuities may have different rules or procedures for RMDs, so careful handling is essential.

CSAs should also make sure clients know their options for receiving the RMD (lump sum, scheduled withdrawals, etc.) and explain any tax implications for each.

Tracking & Follow Up

Once the paperwork is submitted, it is important for CSAs to track the status of each RMD to ensure that clients meet the deadline without any issues. This involves:

- **Internal tracking systems:** Utilize CRM, Excel sheets, or other software to monitor which clients have completed their RMDs and who still needs follow-up.
- **Follow-up calls or emails**: If clients haven't taken action, send reminders or schedule follow-up discussions to ensure no one misses the deadline.
- **Confirmation from companies**: It's important that we not only track that we submitted the RMD requests to the companies, but also that it was confirmed to have taken place. This will require checking with the company online, by phone, or by email.
- **Confirmation calls to clients**: Once the transaction has been completed, always contact the client to ensure them that their RMD has been completed.

Reinvestment Options

Once the RMD is withdrawn, clients will often need guidance on what to do with the funds. This is where CSAs can provide additional value by discussing reinvestment options or other strategies:

- **Reinvestment:** Explore investment opportunities based on the client's risk tolerance and financial goals. Suggest options like:
    - Taxable brokerage accounts
    - Bonds or bond-like instruments
    - ETFs
    - Annuities
- **Gifting or Charitable Contributions:** Some clients may prefer to gift the RMD or make charitable donations. CSAs can assist with setting up a Qualified Charitable Distribution (QCD) to minimize tax liability.

2025 RMD Updates & Timely Planning Opportunities

As we enter 2025, a few developments make RMD planning especially relevant:

- **New IRS Guidance on RMD Penalties**: While the SECURE 2.0 Act reduced the RMD penalty from 50% to 25% (and to 10% if corrected in a timely manner), the IRS recently clarified processes for penalty relief.

- **Election Year Uncertainty**: 2025 is shaping up to be a pivotal tax year with potential legislative changes on the horizon. Clients concerned about future tax brackets may want to use this year's RMD strategy to consider Roth conversions, charitable giving, or shifting taxable income. Positioning RMDs as part of a broader "election year tax strategy" can resonate strongly with prospects.

- **Market Volatility**: After the market ups and downs of 2024, retirees are particularly sensitive to withdrawing from accounts that may have fluctuated in value. Discussing how to sequence withdrawals, reinvest unused RMDs, or pair distributions with lower-risk allocations can ease concerns and demonstrate proactive planning.

- **QCD Awareness Campaign**: With more nonprofits ramping up fundraising in 2025, advisors can use Qualified Charitable Distributions (QCDs) as a conversation starter. Remind clients that directing their RMD to a charity not only satisfies the IRS requirement but can also reduce taxable income while supporting causes they care about.

Additional Opportunities

Managing RMDs also opens the door to broader financial conversations, such as:

- **Legacy Planning:** Discuss how RMDs fit into the client's broader estate or legacy planning goals, ensuring that they are distributing assets in a tax-efficient manner to heirs or beneficiaries.
- **Roth IRA Conversions**: For clients who may not need income from RMDs, consider discussing a partial Roth conversion strategy to minimize future RMDs and provide tax-free income later on.
- **Retirement Income Optimization:** Use this opportunity to assess the client's overall retirement income strategy and explore ways to optimize cash flow and asset allocation for the years ahead.

By going beyond simply fulfilling the RMD requirement, CSAs can strengthen relationships, offer comprehensive financial guidance, and uncover additional financial needs for their clients.

Helpful Client Service Links on the School Website

- 8 Step Client Review Process
- 8 Step Client Review Video
- RMD Tax Notice Sample
- RMD Excel Tracker
- RMD FAQ – 73rd Birthday Letter

If you have any questions or would like to schedule a call, please contact Rebecca Abbitt at (786) 723-1303 or email her at rabbitt@soundincomegroup.com.

500 West Cypress Creek Road, Suite 250, Fort Lauderdale, FL 33309
Phone: (954) 870-6712 | Toll Free: (877) 399-1933
support@soundincomeacademy.com | www.soundincomeacademy.com
Investment Advisory Services are offered by Sound Income Strategies, LLC, an SEC Registered Investment Advisory firm.
Sound Income Academy and Sound Income Strategies, LLC are associated entities.