Why might RMD more than double during your lifetime?

Two reasons:

• Your RMD percentage is less than the expected real return on your portfolio for many years. At expected returns you earn back each year more than the amount you withdrew. This continues to your mid 80s.

> Example: the expected real return rate on our portfolio is 6.4%. RMD percent at age 72 is 3.65%. I withdraw 3.65% that year. At the 6.4% expected return rate, my portfolio earns back the 3.65% and is about 2.5% greater than at the start.
>
> My portfolio continues to increase in real spending power until the RMD percent exceeds the expected return rate on my portfolio. It will grow in real spending power for 14 years. My RMD percent 6.25% at age 85. That's the last year RMD percentage is less than the 6.4% expected return rate.
>
> Over the 14 years, our portfolio would have grown +20% in real spending power.

• Your RMD percentage increases. The increase over the 14 years from age 72 to age 85 is +70%: 3.65% at age 72 to 6.25% at age 84.

The combined effect of 20% greater portfolio and 70% increase in RMD percent is that RMD is 2.1 times the original amount.

RMD can double over time

	Portfolio Value*	RMD %	$ RMD
Age 72	$100,000	3.65%	$3,650
Age 85	$120,600	6.25%	$7,540
Change	21%	71%	2.1 times

* $Constant spending power.
Growth is from expected return rate less RMD%

Double RMD may have implications for your marginal tax bracket and your Adjusted Gross Income (= MAGI for most all) is in relation to tripwires of income that trigger Medicare premium surcharges. This is especially true if it is two of you now filing as married, joint return vs. one of you filing as single.

Tom Canfield. August 4, 2023