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ABSTRACT

This paper investigates how the one-year suspension in 2009 of the Required Minimum Distribution (RMD) rules associated with qualified retirement plans affected the distribution elections of participants at a large retirement services provider. Roughly one third of those who were affected by the RMD rules in 2008 discontinued their distributions in 2009. The suspension probabilities of those for whom 2008 distributions equaled the RMD amount, a plausible indication that the RMD rules were a binding constraint, were not very different from the corresponding probabilities of those for whom 2008 distributions exceeded the RMD amount. Participants who died within six years of the distribution holiday were less likely to suspend than those who were still alive in late 2015, suggesting that RMD rules are more likely to bind for those with longer retirement horizons. The probability of suspension declined substantially with age and rose modestly with financial resources. Individuals taking monthly distributions were less likely to suspend distributions than those taking annual distributions, particularly at higher wealth levels, perhaps because they use their distributions to finance monthly consumption. The findings offer insights on the relationship between participant attributes and distribution behavior, bear on the choice between competing models of saver behavior, and provide some evidence on the revenue consequences of changing RMD rules.

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