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PII: S0047-2727(16)30099-8
DOI: doi: 10.1016/j.jpubeco.2016.08.010
Reference: PUBEC 3690

To appear in: Journal of Public Economics

Received date: 2 August 2014
Revised date: 22 June 2016
Accepted date: 12 August 2016

Please cite this article as: Brown, Jeffrey R., Poterba, James, Richardson, David P., Do Required Minimum Distribution Rules Matter? The Effect of the 2009 Holiday on Retirement Plan Distributions, Journal of Public Economics (2016), doi: 10.1016/j.jpubeco.2016.08.010

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Revised June 2016

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.

Acknowledgements and Disclosures: We are grateful to Ben Sprung-Keyser and especially to Ben Bissette for outstanding assistance with data analysis, to the TIAA Institute (Richardson) and the National Science Foundation (Poterba) for research support, and to William Gentry, Roger Gordon (the editor), Alan Gustman, Brigitte Madrian, Steven Venti, Mark Warshawsky, Anthony Webb, David Wise, two anonymous referees, and seminar participants at Brandeis, the Congressional Budget Office, the 2014 NBER Summer Institute, and the 2014 Trans-Atlantic Public Economics Symposium for helpful discussions. Brown is a trustee of TIAA and Poterba is a trustee of the College Retirement Equity Fund. TIAA is a provider of investment and retirement income security products. This paper represents the views of the authors and does not necessarily represent the views of MIT, NBER, TIAA, the TIAA Institute, or the University of Illinois.
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