INVESTOR'S
Edge

Wealth Management

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Inside this issue

Do you know your options for taking required minimum distributions?

It's essential to understand the many options surrounding required minimum distributions (RMDs) from your traditional individual retirement accounts (IRAs) and employer-sponsored retirement plans.

What are required minimum distributions?

Required minimum distributions or RMDs are withdrawals from your traditional IRAs and most employer-sponsored retirement plans that you must take starting at age 73 (72 if you were born before 1951 or 75 if you were born in 1960 or later). These distributions are taxed as ordinary income, and the amount you must withdraw is calculated based on your account balance and life expectancy factor.

Continued on page 5

How to score a touchdown with your wealth planning in four steps

As a business owner, you're no stranger to hard work and dedication. Just as a football team needs a solid game plan to succeed, you need a strategic wealth plan to help achieve your financial goals.

First and 10 — Step 1

A football team's goal is to win the game. You need to understand what you want to achieve with your wealth. Are you looking to retire early, fund your children's education to Ivy League schools or leave a multigenerational legacy? By clarifying your objectives, you can create a roadmap for success and help see that your wealth plan is aligned with your values and priorities.

Second and 7 — Step 2

A football team needs to be strategic about the plays it runs. You need to be strategic about your taxes. This includes taking advantage of tax deductions and credits, as well as optimizing your business structure to be tax considerate. By working with a tax professional, you can develop a tax plan that may help save money and reduce your tax burden. This can be a critical component of your overall wealth planning and done in consultation with your financial advisor.

Third and 1 — Step 3

A football team will vigorously defend its end zone. You need to defend your wealth against potential risks and threats. This includes adding estate planning services, purchasing insurance to help protect your business and personal assets, and creating a succession plan to help continue the success of your company. Additionally, consider your options for cash and credit needs. By taking these steps, you will likely be better positioned to march down the field of life with more confidence in your wealth and legacy plans.

Touchdown — Step 4

A football team needs to adjust its strategy during the game. You need to regularly review and revise your wealth plan, so it remains aligned with your goals and objectives. By staying on top of your wealth plan, you can help achieve your financial goals.

Working with your financial advisor, you receive personalized advice and guidance to help you achieve your financial goals and score a touchdown with your wealth planning.

Don't fumble your financial future—start winning today.

New Investors' Nook

How to approach investing when you're young

As a young adult, starting to plan for your wealth can seem like a daunting task. But just like a football team needs to start with a strong foundation to win games, you need to start with a solid understanding of a few investing principles to achieve your financial goals.

- **Key principle 1** — Start early and be consistent. Even small, regular investments can add up over time.
- **Key principle 2** — Diversify your portfolio. Spreading your investments across different asset classes can help reduce risk.

Remember, investing is a marathon, not a sprint. Score big in the game of wealth planning and take the first step toward achieving your financial goals by following these principles and staying disciplined.

Financial advisors are available to consult on other key principles to help you achieve your goals.

Key items to consider when you own a business

As a business owner, you have a lot on your plate. Managing cash flow, attracting new customers and dealing with competition are just some of the daily challenges you face. Since your business is an investment, it's essential to also consider the bigger picture and plan for the future. In this article, we'll discuss key items to consider when you own a business, from financing and insurance solutions to retirement plans and business valuations.

Financing solutions

Access to financing is often the difference between growing your business and maintaining the status quo. A wide range of financing solutions are available to help you meet your business needs, including:

- Business operating accounts to manage your cash flow
- Business credit cards to separate business and personal expenses
- Business lending to finance technology and equipment
- Commercial real estate loans to help you own your office space
- Business lines of credit to secure inventory or protect against unforeseen expenses
- Commercial loans to help you buy out a partner or purchase another business

Insurance solutions

Protecting your business and employees is crucial. Insurance solutions can help you motivate and reward your valued employees while also protecting your business from potential losses. Here are some specific considerations:

- Buy-sell agreements to govern the conditions of a future sale or buyback of your business
- Key employee life insurance to protect your business from the financial loss resulting from the death of a key employee
- Executive bonus plans to reward key employees and provide a tax-sensitive way to pay bonuses
- Deferred compensation plans to help highly paid employees save for retirement

Retirement plans

Helping your employees feel confident about their retirement prospects is important. Retirement plans can benefit both you and your employees by offering:

- Tax-deferred growth
- Pre-tax contributions to reduce taxable income
- A variety of investment options to provide diversification

Business valuations

Understanding the value of your business is critical for making informed decisions. This valuation yields four distinct values:

- Equity value
- Asset sale value
- Enterprise value
- Liquidation value

By considering these key items, you can give your business a competitive edge and be strategic for the future you envision. Thoughtful planning can help you protect and grow your business while also rewarding and motivating your employees.

Contact your financial advisor today to discuss how you can implement these strategies and solutions to help achieve your business goals.

Planning for succession

If you've been wondering about the future of your business after you retire, here's a quick look at some of the factors you may want to consider.

First, a definition. What is exit or transition planning?

It is a proactive process to help:

- Confirm you have a sellable business
- Maximize the value of your business
- Reduce the risk and challenges associated with a transfer
- Reduce the tax ramifications of the transfer
- Achieve your personal, business and financial goals

As you can imagine, this process can be quite complex. Your RBC Wealth Management financial advisor can help you develop and execute your exit/transition planning strategy while utilizing an RBC WealthPlan® to determine if the sale of your business would be able to support your lifestyle and the achievement of your life's dreams.

Like building the business, exiting the business is not a straightforward process. Even the savviest business owners may be unfamiliar with all the nuances of the exit and transition processes.

Timeline

Ideally, you should start planning at least three years before you want to transition and work with a team of professionals experienced in exit/transition planning who have your personal vision in mind.

All too often business owners do not fully take the time to explore the choices available to them; financial advisors and wealth managers can provide in-depth advice to help business owners of all types gain liquidity, diversify wealth, reduce risk and increase value.

If, in consultation with your financial advisor and other professionals, you decide to pursue exit/transition planning, the next steps might look something like this:

Step 1: Assemble your team of financial advisors and other professionals

Step 2: Assess the marketplace

Step 3: Prepare your business

Step 4: Obtain a valuation

Step 5: Structure the transaction

This is merely a brief outline of some of the steps you might take when you are ready for your business succession planning.

To learn more and get additional resources to help you step away from your business while crafting a plan to better enjoy retirement, reach out to your financial advisor.

Taking required minimum distributions, continued from page 1

When must RMDs be taken?

Birth year	RMD age
1950 or earlier	72 (70.5 for those who turned 70.5 before 1/1/20)
1951–1959	73
1960 or later	75

Your first RMD must be taken for the year in which you attain the age indicated in the RMD age chart (above). However, you have some flexibility with your distribution in your first year. You can take the distribution during the year you turn this age or delay it until April 1 of the following year, known as your required beginning date (RBD). Subsequent annual distributions must be taken by December 31 of each year.

Don't need the extra funds?

For those who don't need the extra income, here are five ways to strategically use your RMD funds.

Keep putting the money to work

- Placing your RMDs into a nonqualified brokerage account may keep your funds invested and potentially growing over time

Move to a Roth IRA

- Converting your traditional IRA to a Roth IRA can provide tax-sheltered growth and lower your distribution amount in future years

Purchase a life insurance policy or variable annuity

- Using your RMDs to purchase a life insurance policy or variable annuity can provide a tax-sheltered benefit to your heirs and help maximize your legacy

Fund a 529 plan

- Contributing your RMDs to a 529 savings plan can help fund educational expenses for loved ones while providing tax benefits

Donate to charity

- Donating your RMDs to a qualified charity can help reduce your taxable income and provide a benefit to the charity, with a yearly limit of $108,000 per person

How are RMDs calculated?

Your required minimum distribution amount is calculated each year by dividing your ending account balance from the previous year with your applicable life expectancy factor. The applicable life expectancy factor is based on the Uniform Lifetime Table III (right), unless your sole beneficiary is your spouse and they are more than 10 years younger than you, in which case the joint life expectancy of you and your spouse is calculated.

Options for taking RMDs

Several options are available for taking your RMDs and your financial advisor can help you with the approach that best suit your needs:

1. Schedule automatic distributions — So you don't miss a payment.
2. Submit a distribution form — Control the timing and amount of your withdrawals.
3. Set up on-demand distributions — Take your RMDs as needed.
4. Establish IRA check writing — Withdraw your RMD yourself.
5. RMDs can be distributed in either cash or securities — Receive your RMDs in cash or securities from your IRA, with securities valued at the closing price on the day prior to the distribution.

Tax implications and penalties

Taking required minimum distributions from your IRA are generally subject to federal (and possibly state) income tax for the year in which you receive the distribution. However, a portion of the funds distributed to you may not be subject to taxation if you have ever made nondeductible (after-tax) contributions or rolled over after-tax dollars from an employer-sponsored retirement plan to your traditional IRA.

Failure to take your RMDs can result in a 25% penalty, which can be reduced to 10% if the missed RMD is corrected between January 1 of the year following the year of the missed RMD and the earliest of the following dates: when the Notice of Deficiency is mailed to you, when the tax is assessed by

Uniform Lifetime Table III*

Age	Factor
73	26.5
74	25.5
75	24.6
76	23.7
77	22.9
78	22.0
79	21.1
80	20.2
81	19.4
82	18.5
83	17.7
84	16.8
85	16.0
86	15.2
87	14.4
88	13.7
89	12.9
90	12.2
91	11.5
92	10.8
93	10.1
94	9.5
95	8.9
96	8.4
97	7.8
98	7.3
99	6.8
100	6.4
101	6.0
102	5.6
103	5.2
104	4.9
105	4.6

*You can view the full table at https://www.irs.gov/forms-pubs/about-publication-590-b.

Continued on page 6

Taking required minimum distributions, continued from page 5

the IRS or the last day of the second tax year after the tax is imposed.

Qualified charitable deductions

The Internal Revenue Code allows individuals over 70 1/2 to receive a tax benefit for charitable giving using qualified charitable distributions (QCDs). This strategy helps reduce the tax burden by satisfying a portion or all of the RMD obligation once RMDs begin at age 73. It also allows families to set up their philanthropic legacy.

Planning for RMDs

Understanding RMDs is an essential part of your retirement planning and wealth strategy. Your financial advisor can help you develop a well-rounded retirement saving and retirement income plan, effectively manage your assets in retirement and plan appropriately for leaving assets to your beneficiaries. Together, you and your financial advisor can also review this plan periodically and make any necessary adjustments to assist you in achieving your goals.

By understanding your options for taking RMDs and planning accordingly, you can help with a smooth transition into retirement and make the most of your savings.

Consult with your financial advisor to determine the best approach for your individual circumstances.