



January 30, 2009

A recent tax law change has provided retirees some financial flexibility in relation to their qualified retirement plan distributions. A key provision in the recently passed Worker, Retiree and Employer Recovery Act of 2008 has been designed to allow retirees to continue to keep money in their retirement accounts in which they are typically required by law to withdraw once they have reached the age of 70 ½. Here is a brief summary of this new provision:

Current tax law generally requires individuals with retirement accounts to make required withdrawals based on the size of their account and their age every year after age 70 1/2. This rule is intended to prevent wealthy individuals from using retirement accounts as a tax shelter. Any individual who fails to take a required minimum distribution (RMD) is heavily penalized by the IRS, which taxes the amount not withdrawn at 50%.

The new law suspends the required minimum distribution from retirement accounts in 2009. This waiver, which is available to everyone regardless of their total retirement account balances, applies to all defined-contribution plans, including 401(k), 403(b), 457(b), and IRA accounts. Suspending the mandatory withdrawal allows retirees to keep the money in their account if they choose.

By waiving a 2009 RMD, an individual or couple will prevent additional taxable income during 2009, allow the assets in their qualified plan time to recover possible losses, as well as provide more tax-sheltered amounts to leave their beneficiaries. The new RMD will be for calendar year 2010.

If a distribution is still preferred, the normal procedure of including any previously untaxed portion of the withdrawal in gross income will be followed.

Please keep in mind that this is only a summary of this new provision. If you would like to discuss this matter further, please do not hesitate to call.

Regards,

Dee Ann Remo