

RETIREMENT DISTRIBUTIONS IN 2009? MAYBE NOT!



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In the final days of 2008 President Bush signed into law a one year suspension of the required minimum distribution rules for retirement plans and IRAs. The intent of lawmakers is to provide retirees and inherited IRA account holders' additional time to allow the nest egg to recover from the bear market and not force mandatory distributions.

Normally a retiree over the age of 70½ is required to take a required minimum distribution (also called RMD) from their retirement plan and IRA annually. The percentage you must withdraw by the end of each year is based upon your age and the account balance of the previous year. The new law suspends required distributions in 2009 for all retirement plans.

Here are some answers to questions about the new law:

Can I still withdraw funds from my IRA without penalty?

Yes. As long as you meet the minimum age requirement, usually age 59 1/2, you can withdraw any amount.

If I turned age 70½ in 2008 and planned to take my first withdrawal by April 1, 2009, does the new law permit me to skip it?

No. The law suspends distributions only for 2009.

If I turn age 70½ in 2009 does that affect my 2010 required minimum distribution amount?

No. The normal RMD withdrawal amount is waived for 2009 only, with the first mandatory distribution deadline being 12/31/2010. However, you must use your attained age in 2010 for purposes of calculating your RMD for that year.

What if I am the beneficiary of an inherited IRA?

The one year suspension of required minimum distributions applies for inherited IRAs.

Can I still donate money from my IRA to charity without paying income taxes?

Yes. For 2009 only, individuals age 70½ and older are able to make donations up to \$100,000 directly from their IRA's to charity without having to report these donations on their individual income tax return.

Can I convert some or all of my IRA to a Roth IRA in 2009?

Yes, provided your adjusted gross income is \$100,000 or less. However, based on current law, in 2010 taxpayers with adjusted gross income over \$100,000 will be allowed to convert an IRA to a Roth IRA and spread the income taxes over the following two years.

If I have already received money from my IRA in 2009, what can I do?

Money received from your IRA can be re-deposited within 60 days of distribution without being considered a taxable distribution.

Contact your tax professional or Woodway Financial Advisors for more information.