

Creative Plan Designs, Ltd.

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Required Minimum Distribution Relief Provided for Tax Year 2009

Owners and beneficiaries of IRAs and other defined contribution plan interests who are otherwise required to take Required Minimum Distributions (RMD) from their plans in tax year 2009 will generally be able to leave their money in their plans without suffering any penalty for failure to withdraw.

This relief has been provided under the Worker, Retiree, and Employer Recovery Act of 2008, passed by Congress on December 11, 2008. It is expected to be signed by the President. The relief extends to any RMD determined on the basis of dividing an account balance by a distribution period.

This relief applies to participants in and beneficiaries of IRAs, SEP-IRAs, SIMPLE IRAs, 401(k) plans, money-purchase plans, profit-sharing plans, and any other defined contribution retirement plan not specifically mentioned here. It does NOT apply to defined benefit plans.

For beneficiaries, if the beneficiary is using the "5-year rule" for complying with the RMD rules and if tax year 2009 falls within the 5-year period, the period is extended by one year, automatically.

Distributions taken in 2009 that would otherwise be RMDs will not be treated as "eligible rollover distributions" for purposes of the direct rollover and 20% withholding rules. Such distributions, however, shall otherwise be eligible for rollover, subject to the normal 60-day rollover rule.

NOTE: The Act does not provide relief from the requirement to take one's RMD for tax year 2008. Anyone who is required to take an RMD for tax year 2008 (including someone turning 70 ½ during 2008 who elects to defer taking the RMD until by April 1, 2009), will still have to do so unless Treasury acts to provide specific relief applicable to tax year 2008 RMDs. We doubt such action will be forthcoming in time for 2008.

You need to know these rules have changed. As such you should consult with your personal tax advisor for fact-specific guidance.

Sincerely,

Dr. Ronald K. Stair
Creative Plan Designs, Ltd.

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