



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Restarting RMDs in 2010 - They're Back!

RMDs are back for 2010. The Worker, Retiree, and Employment Recovery Act (WRERA) of 2008 (signed into law December 23, 2008) included a temporary suspension of required minimum distributions (RMDs) for both IRAs and defined contribution plans during 2009. Now though, with 2009 in the rearview mirror, RMDs are back for good – barring any other changes in the law of course.

But while WRERA's suspension of RMDs was supposed to be a "simple" way to give retirement account owners a break after the market crash of 2008, the provision left both clients and advisors with a host of questions on what RMDs must be taken in 2010 and how those withdrawals will be calculated. It is important for clients to take the RMD for 2010 as any RMDs not taken are subject to a 50% penalty.

3 Things WRERA Did Not Change

Although WRERA eliminated RMDs for many clients in 2009, it left many other aspects of the law unchanged. Indeed, for both clients and advisors alike, it will be as important to know what WRERA did **NOT** change as it is to know what it did change. Below are

three key areas of the law that were unaffected by WRERA.

- 1 - The Required Beginning Date
- 2 - Life Expectancies for Non-Spouse Beneficiaries
- 3 - Which Year-End Balance to Use

1-The Required Beginning Date

The required beginning date (RBD) for most clients is April 1st of the year following the calendar year that they turn age 70½ (there is a "still working" exception for certain participants of company plans). Even though WRERA waived RMDs for 2009, there was no effect on the RBD. For example, if a client turned 70½ in 2009, his RBD will be April 1, 2010 - however, no distribution has to be taken by that date. But if the client died on April 10, 2010, he still died after reaching his RBD for post-death distribution purposes (for example, if he died without a designated beneficiary).

Both clients and advisors have a host of questions on what RMDs must be taken in 2010.

In most cases, a taxpayer must take their RMD for each year by December 31 of that year. A special rule exists though, for the year in which a client turns 70½. For that year, a client can defer taking the distribution until their

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Guest IRA Expert

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