



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

72(t) UPDATE ISSUE

"You must learn from the mistakes of others. You can't possibly live long enough to make them all yourself."

— Sam Levenson (1911-1980),
American humorist

What Are 72(t)s?

Section 72(t) of the Tax Code is where you'll find the exceptions to the 10% penalty for withdrawing from your IRA or other retirement account before reaching age 59½. One of the exceptions allows you to withdraw a "series of substantially equal periodic payments." These payments have become known as "72(t) payments" after that section of the Tax Code, and the payment schedules are often referred to as "72(t) payment schedules."

What's Changed?

The regular 72(t) payment rules require you to continue the payments for 5 years or until you reach 59½ years old, whichever period is longer. During the payment period the withdrawals cannot be "modified," meaning the payment formula cannot be changed, otherwise the 10% penalty is triggered retroactively on all prior 72(t) payments. They cannot be increased or decreased, otherwise the 10% penalty is triggered retroactively on all prior 72(t)

payments. But IRS has issued two new Private Letter Rulings (PLRs) that do allow some modifications to existing and to new 72(t) payment schedules.

These are the first signs of 72(t) flexibility since the IRS released Revenue Ruling 2002-62 in 2002. We have interviewed Barry Picker and Bill Stecker, the two advisors who obtained these groundbreaking rulings for their clients, in our feature article "*New 72(t) Rulings from IRS.*"

These are the first signs of 72(t) flexibility since the IRS released Revenue Ruling 2002-62.

Keeping with our 72(t) theme for this issue, this month's guest IRA expert is Gregory Kolojeski, President of Brentmark Software, Inc. His article "*72(t) Payments Made More Frequently Than Annually*" provides illustrations on monthly 72(t) payments using

both fiscal and calendar year schedules. The Brentmark IRA distribution programs used for his examples are excellent. See page 8 for information on the Brentmark programs and other 72(t) resources you should know about.



For more IRA information, visit our Web site at www.ira-help.com.

Ed Slott, CPA
100 Merrick Road
Rockville Centre, NY 11570

— Ed Slott

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Feature Article

New 72(t) Rulings from IRS

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Guest IRA Expert

Gregory Kolojeski, President Brentmark Software, Inc.

72(t) Payments Made More Frequently Than Annually

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Your 72(t) Resource Center

- Brentmark Software
- William J. Stecker
- Gordon Weis's <http://72t.net>

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