ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

SPECIAL ISSUE!

New 72(t) Rules ... Analysis of IRS Revenue Ruling 2002-62

"We're from the government and we're here to help you."

This special issue is devoted to the new 72(t) rules released by IRS in Revenue Ruling 2002-62. I have analyzed the major provisions here for you along with related cautions and questions.

If you are currently withdrawing from your IRA or other retirement account under the exception to the 10% early withdrawal penalty known as "annuitizing" or "72(t) payments," you must read all of this.

The new rules could have a dramatic impact on your existing 72(t) schedules as well as new payment schedules you might be considering.

The new rules permit changes but they may not be what you hoped for. The IRS also took this opportunity to include more guidance and additional constraints that will limit flexibility for new 72(t) schedules. It's all here, including the actual IRS ruling which is reproduced for you on pages 6-8.

For more IRA information, visit our website at ***www.irahelp.com.***

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– Ed Slott, CPA

New 72(t) Rules From IRS

IRS released Revenue Ruling 2002-62 on October 3, 2002. RR 2002-62 provides what may be too much relief for those withdrawing under so called "Section 72(t) payment schedules." Until now, the tax rules never considered the possibility that a retirement account could decline in value. The ruling allows a one-time irrevocable switch from either the amortization or annuity factor methods to the Required Minimum Distribution (RMD) method.

If you have been withdrawing from your retirement account penalty free under what the tax law calls a "series of substantially equal periodic payments" and your IRA or other retirement plan has declined in value (whose hasn't?), then the new IRS Revenue Ruling 2002-62 may help you … or it may help you so much that it won't help you at all.

The 72(t) payment option is available to IRA owners at any age regardless of whether or not they are still working. If you wanted to, you could set up a payment

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