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Aiming to Safeguard Retirement Investments, New Law Provides 2009 Hiatus from Required Distributions

The Worker, Retiree, and Employer Recovery Act of 2008 was signed into law in late December. This new law, among other things, suspends required minimum distributions (RMDs) from IRAs and qualified retirement plans for 2009. The intent is to provide relief to individuals who would otherwise be forced to liquidate retirement savings when many investments are at historic low points.

Ordinarily, an IRA owner or qualified retirement plan participant who has reached age 70-1/2 must take an RMD for each calendar year. These distributions generally must be made by December 31. However, the distribution for the year in which an individual attains age 70-1/2 ("Year 1") may be paid on or before April 1 of the year following the year in which he or she attains age 70-1/2 ("Year 2"). If this option is utilized, two distributions must be taken in Year 2: one for Year 1 and one for Year 2. A qualified retirement plan may permit a non-owner to defer the first distribution until actual retirement. IRS imposes a 50% excise tax on RMD amounts that are not timely distributed.

RMDs for calendar year 2009 may remain in an individual's IRA or qualified retirement plan account and will not be subject to the 50% excise tax. The reprieve also applies to RMDs to certain qualified beneficiaries of a deceased IRA owner or plan participant. Year 1 RMDs for 2008 that were deferred until early 2009 must still be made under normal distribution rules.

The new law does not prohibit IRA owners, plan participants, or beneficiaries from taking otherwise permissible discretionary distributions.

If you would normally be required to take an RMD for 2009, you should contact your IRA custodian or qualified retirement plan Administrator to indicate whether you wish to take advantage of this opportunity.

To discuss any questions you might have about the impact of this new law on your retirement accounts, contact L. Gerald Rigby at 215-279-9684, Nancy L. Wasch at 215-246-3106, Kenneth J. Levin at 215-246-3172, or any member of the Archer & Greiner Corporate Employee Benefit Plans or Estate and Trust Services Departments.

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