



Senior Citizens

Don't get penalized on monies in your IRA!

Are you an IRA owner over 70?

Retirement plans are primarily designed to supplement retirement income. Withdrawals from the retirement plan must begin by a certain date and not be postponed indefinitely. You are required to take distributions from your traditional IRA and other retirement plans once you reach 70 1/2. This is referred to as the Required Minimum Distribution Rules.

What are the rules?

Generally, participants in a qualified retirement plan or IRA must begin to receive distributions from the plan by April 1 of the year following the year in which the participant turned 70 1/2. Some retirement plans allow the participant to defer distributions until they retire, even if they are past age 70 1/2. This option is not available for traditional IRAs. All distributions after the initial distribution must be made annually by December 31.

How do I calculate the required minimum distribution?

The account balance (as of the end of the preceding year) for all of your traditional IRA accounts are added together and then divided by the applicable divisor from the Uniform Table. This is the minimum amount that you must withdraw. You can always take more than this amount out, if your plan allows that option. Part or all of the money you withdraw will be subject to Federal Income Tax. If you do not have any tax withheld from the disbursement, you may need to make estimated tax payments (see Publication 505, Tax Withholding and Estimated Tax, for more information).

What happens if I fail to comply?

Failing to take the required minimum distribution may result in the assessment of a 50% excise tax on the difference between the Required Minimum Distribution amount and the actual amount distributed.

Can I delay my first required distribution?

Yes, however, if you do not take a distribution in the year that you turn 70 1/2, you will need to take two distributions the following year. The first distribution, which represents the amount for the year in which you turned 70 1/2, must be taken by April 1. You will also need to take the current year's distribution by December 31.

Where can I find out more about the required distributions?

Publication 590, Individual Retirement Accounts, contains information on the minimum distribution requirements and the Uniform Tables. You can also visit the IRS Website at www.irs.gov. Some IRA administrators will help you figure your minimum distribution. For complex situations, you may need to seek the assistance of an accountant or attorney.