

## WILL MANDATORY IRA WITHDRAWALS BE DEFERRED IN 2009?

*If President Bush signs the bill Congress just passed, yes.*

provided by Jeffrey Helms, CFA

**Imagine not having to take your RMD next year.** On December 11, H.R. 7327 was approved by Congress - and if President Bush signs it into law, it will temporarily suspend Required Minimum Distributions (RMD) for IRAs and 401(k) and 403(b) plans.<sup>1</sup> H.R. 7327 would let people age 70½ or older defer withdrawals from these accounts in 2009 without triggering a penalty.<sup>2</sup>

Earlier this year, advocacy groups like AARP had cringed at the thought of retired Americans having to take mandatory, taxable withdrawals from retirement savings accounts already reduced in the recession. Some older Americans need the money, but some don't. Rep. Charles Rangel (D-NY) introduced this bill to address that dilemma.<sup>3</sup> By not taking your RMD in 2009, you could retain the assets without being subjected to the 50% tax penalty on the minimum withdrawal amount.<sup>1</sup>

**Any help for 2008?** Most retirees have already taken their 2008 RMD by now. But the U.S. Treasury could pursue an option to help retirees this year. That would be allowing retirees to calculate their withdrawals according to the value of their IRAs at the end of 2008, rather than the account value at the end of 2007. This would translate to smaller withdrawals. At this point, however, it is only a remote possibility.<sup>2</sup>

**Some "relief" for traditional pension plans.** H.R. 7327 would also ease corporate obligations to immediately and fully fund pension plans if benchmarks aren't met. It rolls back the funding obligations of the Pension Protection Act of 2006.<sup>2</sup> With the downturn in many stocks, some companies are having a hard time fully funding their pension programs. For 2008, companies have to set aside money to cover 92% or more of projected pension liabilities. If they don't meet that threshold, then they must fully fund pension plans immediately according to the PPA. Hundreds of companies lobbied Congress this year to ease this rule, so that they would not be at risk of having to freeze pension programs.<sup>1</sup>

**What might this mean for you?** What if you aren't required to take an RMD in 2009? If President Bush signs H.R. 7327 into law, you will have that option. Talk to your financial advisor to discuss the financial implications and the financial possibilities that this legislation may bring.

«representativename» is a Representative with **[BROKER/DEALER NAME HERE]** and may be reached at «representativewebsite», «representativephone» or «representativeemail».

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### Citations.

<sup>1</sup> bloomberg.com/apps/news?pid=20601087&sid=avSKFVWh8\_Ho&refer=home# [12/11/08]

<sup>2</sup> usatoday.com/money/perfi/retirement/2008-12-11-ira-savings-retirement\_N.htm [12/11/08]

<sup>3</sup> waysandmeans.house.gov/media/pdf/110/hr7327.pdf [12/10/08]

<sup>4</sup> [marketwatch.com/news/story/Retirees-closer-relief-manadatory-savings/story.aspx?guid={6310862A-0DE5-4832-9EA2-508747ADA3E7}](http://marketwatch.com/news/story/Retirees-closer-relief-manadatory-savings/story.aspx?guid={6310862A-0DE5-4832-9EA2-508747ADA3E7})  
[12/12/08]