

# The "Daily Plan-It"™

ESTATE & BUSINESS LAW GROUP, P.C.

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## ***Help Your Clients Put Back Their IRA Distribution Before the Year's End!***

Due to the economic downturn in late 2008, Congress provided relief this year with regard to required minimum distributions from qualified retirement plans for 2009. This one-time exemption is unprecedented.

The theory was that since so many retirement portfolios had decreased significantly, it would be a hardship if retirees (people over 70 ½) would be forced to withdraw money from their retirement plans, be taxed on them, and thus lose the opportunity to have the monies that were withdrawn "recover" tax-deferred when the economy recovered.

The stock market is up since the beginning of the year. (Well, at least when I wrote this.) As such, anyone who withdrew money from his IRA lost the benefit of keeping that money in the retirement account and getting the tax-deferred re-growth.

### **Good Intent, Bad Communication**

Congress suspended the required minimum distributions from retirement plans for 2009. What Congress has found, however, is that the law that took effect in late 2008 was not well communicated. Plus, many retirees were on automatic withdrawals from their retirement accounts to satisfy the required minimum distributions.

The result – lots of retirees who could have kept funds in their retirement accounts took payments. In many cases, they didn't know the law had changed. In others, distributions were on autopilot, with brokers and mutual fund companies cutting distribution checks without account owners asking for them.

As you might expect, some advisors will be getting calls from clients to find out the best way to facilitate this re-depositing of the funds back into their IRAs.

### **You Can Roll It Back**

As another form of relief, the IRS is now allowing people who had mistakenly taken out required minimum distributions during 2009 to roll those distributions back into their IRAs. They avoid having to pay tax on the amounts withdrawn in order to get the money back into their retirement accounts.

Under the [IRS guidance](#), these taxpayers have until 60 days after the date of the distribution to put the money back into an IRA, back into the same retirement plan, or into another plan, assuming the plan allows it.

### **There's Always a Catch**

However, no more than one 2009 distribution from an IRA will be eligible for the rollover relief. So if you take your RMD in monthly payouts, you can only put back one month's worth.

Even worse off are folks who take early distributions before age 59 1/2 through equal periodic payments. They must still take their 2009 distributions. Another exception: If your client's IRA is invested in an annuity and he's locked into annual payouts, he still has to take the money and pay taxes on it this year.

### **Some Good News for Next Year**

On Jan. 1, 2010, the federal government will end the income limits that have prevented many people from converting traditional IRAs or employer-sponsored retirement plans to a Roth. Since taxes at all levels are expected to rise in coming years, it's no surprise why owning an account safe from tax increases is so appealing.

As always, I hope this article has helped you and your clients. If you have a specific concern or a case you'd like to discuss, please contact our office.

## **Workshop Schedule**

### **The Truth about Estate Planning**

Usually Tuesday nights, 7:00 pm  
(Please call for current dates)



### **IRA Preservation Planning**

*Learn how to properly protect your IRAs and what the IRA Preservation Trust can do!*

(Please call for current dates)

*On February 8, 2006, President Bush signed into law the Deficit Reduction Act of 2005 (DRA 2005), which included the most sweeping changes to [Medicaid](#) laws ever enacted.*

### **Medicaid Planning Workshop**

*The new Medicaid laws and some of the planning options that are still available, even in light of these sweeping changes.*

Usually Tuesday nights, 7:00 pm

(Please call for current dates)

**Registration:** Contact Mary Lang at (847) 367-4460

<http://eblawgroup.com>

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We invite you also to direct your clients to  
[http://eblawgroup.com/FAQ\\_medicaid.htm](http://eblawgroup.com/FAQ_medicaid.htm)  
for more information on Medicaid Planning.