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Congress Passes Worker, Retiree, and Employer Recovery Act of 2008; waives RMDs for 2009

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Congress has just passed the Worker, Retiree, and Employer Recovery Act of 2008, and the President has promised to sign the bill into law when it reaches his desk. One of the most significant items in the legislation is the temporary suspension of required minimum distributions (RMDs) for 2009. You are generally required to start taking RMDs from your IRAs and employer retirement plans after you reach age 70½. (If you continue to work beyond age 70½, RMDs aren't required from an employer retirement plan until you separate from service, unless you are a 5 percent owner of your employer.)

If you turned age 70½ before 2009, you would normally be required to take your 2009 RMD by December 31, 2009. Under the Act, you will not need to take this distribution. If you will turn age 70½ in 2009, you would normally be required to take your 2009 RMD no later than April 1, 2010. Again, you will not need to take this distribution. In both cases, however, you will be responsible for taking your 2010 RMD no later than December 31, 2010.

Unfortunately, Congress did not change the requirements for 2008 RMDs. So, if you haven't already, you will still need to take your 2008 RMD (which is generally based on your December 31, 2007, account balance) by December 31, 2008 (April 1, 2009, if you turned age 70½ in 2008).

The law also waives 2009 RMDs for beneficiaries of inherited IRAs and employer retirement accounts.

If you are taking RMDs, or you are turning age 70½ in 2009, consult with your financial professional to see how this new legislation impacts your specific situation.



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