



# *Bi-Monthly Report*

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## **Suspension of 2009 Minimum Required Distributions**

### **Introduction**

Due to the current economic climate, Congress included in the Worker, Retiree, and Employer Recovery Act (WREERA) of 2008 a one-year moratorium on most Minimum Required Distributions (MRDs). This newsletter is being written to clarify what the new law says since there seems to be some confusion as to who has to take what when.

### **Background**

MRD rules generally require that annual distributions begin from qualified plans and Individual Retirement Accounts (IRAs) no later than the April 1st following the year in which the participant or IRA owner attains age 70 1/2. For example a 5% owner who attained age 70 1/2 in 2007 was required to have taken his or her first MRD (the 2007 MRD) no later than April 1, 2008. He or she would have also needed to take a second MRD (the 2008 MRD) no later than December 31, 2008.

There is an exception for participants who are still actively employed and who are not “5% owners” of the company. These participants are not required to take distributions until the April 1st of the year which follows retirement. This exception only applies to qualified plans, not to IRAs.

### **WREERA's MRD Suspension**

In order to help participants avoid depleting their account balances, WREERA eliminated the 2009 MRD requirements for Defined Contribution Plans, which include Profit Sharing, 401(k), and Money Purchase Plans, and for IRAs. Although the requirement was eliminated, a Plan can allow eligible participants to receive 2009 MRDs if so desired.

It should be noted that this MRD suspension for 2009 does not apply to Defined Benefit Plan Participants.

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**MRDs for Defined Contribution Plans (5% Owner) & IRAs**

For individuals who attain age 70 1/2 in 2008, 2009 or 2010, the following table shows when the MRDs have to be taken from qualified plans for a 5% owner, and from IRAs.

YEAR AGE 70 1/2 IS ATTAINED	2008 MRD	2009 MRD	2010 MRD
2008	by April 1, 2009	not required	by December 31, 2010
2009	N/A	not required	by December 31, 2010
2010	N/A	N/A	by April 1, 2011

**Five Year Death Benefit Rule**

Under this rule, benefits must be fully paid out by the close of the fifth calendar year which contains the fifth anniversary of the participant's death. Since WREDA eliminated the requirement to take 2009 MRDs, in effect, the payout period is extended by one year. In other words, the beneficiary for a participant who died in 2007 must be fully paid out by December 31, 2013 instead of by December 31, 2012.

**MRDs for 5% Owners of Defined Benefit Plans**

Since WREDA did not change the rules for Defined Benefit Plan participants, MRDs have to start no later than April 1, 2009 for 5% owners who attained age 70 1/2 in 2008. Since the amount is usually determined based upon an annual annuity form of payment, a second payment for 2009 is not generally required.

**What to Do**

Because MRD rules are complex and subject to a 50% excise tax if not timely taken, you should contact us if you have any questions about what your MRD dates are. We welcome your inquiries.

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