



# CLIENT TALK

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## NEW IRA DISTRIBUTION RULES FAVOR TAXPAYERS

### NEW RULES SIMPLIFY IRA DISTRIBUTIONS

The IRS issued proposed regulations which simplify IRA and Qualified Retirement Plan distribution rules. Formerly, calculating the required minimum distribution was complicated. Now there is one unified table for distributions which applies to everyone except married couples with more than a 10 year age difference (where more favorable rules apply.)

### SIMPLE CALCULATION OF DISTRIBUTIONS

There are now two steps for determining the *required minimum* IRA distribution. If this minimum is not withdrawn, the 50% tax Penalty still applies.

1. Find the value of your investments, such as closing stock prices for December 31<sup>st</sup> of the preceding year.
2. Multiply the value of your investments by the percentage in the following table:

Age	Percent	Age	Percent
70	3.8168%	71	3.9526%
72	4.0984%	73	4.2553%
74	4.4053%	75	4.5872%
76	4.7847%	77	4.9751%
78	5.2083%	79	5.4348%
80	5.6818%	81	5.9524%
82	6.2500%	83	6.5359%
84	6.8966%	85	7.2464%

### BENEFICIARY AGE DOES NOT AFFECT YOUR DISTRIBUTION MINIMUM

The minimum lifetime withdrawals are the same regardless of whether you name a child, grandchild or charity as a beneficiary. Nevertheless, distributions

*after your death* can vary depending upon who you name as your beneficiary.

### YOUR SPOUSE QUALIFIES FOR MOST FAVORABLE TREATMENT

Generally, spouses qualify for the most favorable treatment when named as beneficiaries of an IRA. Typically, the spouse takes advantage of a permitted rollover of the IRA into the spouse's own IRA.

### GENERAL RULE, WITHDRAWAL BASED UPON DECEDENT'S TABLE FOR OLDER BENEFICIARIES

Distributions can be made to an older beneficiary from a Decedent's IRA over the life expectancy of a person who would be the same age as the decedent on the last day of the year the Decedent died. For example, if the Decedent would have been 76 on the last date of the year of death, according to the IRS table there would be a 12-year life expectancy. The older beneficiary would be required to withdraw 1/12 of the account balance in the first year, 1/11 in the second year, etc.

### YOUNGER DESIGNATED BENEFICIARY

If a younger beneficiary is designated in the IRA, amounts can be distributed over the longer life expectancy. For example, if a 5-year old beneficiary received the IRA, the minimum distribution is 1/76 of the balance in year one, 1/75 in year 2, etc.

### IRA PLANNING IS SIMPLER

As a result of these new regulations, IRA planning is simpler and can result in definite tax savings. Prior to making a withdrawal, you should make sure that you are meeting the new minimum requirements.