

***Qualified Retirement Plans***  
***Practice Alert***  
*January 2009*

**Suspension of Required Minimum Distributions**

On December 11, 2008 the Worker, Retiree and Employer Recovery Act of 2008 (WRERA) was passed which in part suspended required minimum distributions for 2009. This one year suspension only applies to defined contribution plans including profit sharing, 401(k), Money Purchase, 403(b), IRAs and 457 plans.

For participants that have already begun required distributions the 2009 distribution can be skipped:

Jonathan is 74 in 2009 and his account balance as of December 31, 2008 was \$275,375. In the absence of the suspension Jonathan would have to take a distribution of \$11,570.38 ( $\$275,375 / 23.8$ ) by December 31, 2009. Although there is no 'required' distribution Jonathan may take a distribution at his option and include it in his taxable income. In 2010 Jonathan will be 75 so his distribution for that year will be the December 31, 2009 account balance divided by his life expectance factor (found in the Uniform Lifetime Table) of 22.9.

For participants that will turn age 70½ in 2008 or 2009 the issue may not be completely clear:

Harold will reach age 70½ in 2008 and although a distribution is technically required in 2008 that distribution may be postponed until April 1, 2009. In addition a distribution must also be made by December 31, 2009 for the 2009 calendar year. Since the distribution due by April 1 is really a 2008 distribution it seems that it is not exempt under WRERA but the distribution due by December 31, 2009 is exempt although this is not entirely clear.

Sarah will reach age 70½ in 2009. In accordance with WRERA she does not have to take a distribution with respect to the 2009 calendar year either by December 31, 2009 or by April 1, 2010.

For those individuals receiving distributions as beneficiaries the same rules apply:

Carol inherited her mother's IRA and has been taking distributions for the last several years. In 2009 she would be required to take a distribution based on her life expectancy from the Uniform Lifetime Table based on her age in the year following her mother's death which was 27.0. It is now six years later so her life expectancy factor for 2009 would be 21.0. The distribution for 2009, in the absence of WRERA, would be the December 31, 2008 account balance divided by 21.0.

**Stephen Abramson, CPC, CLU, ChFC**  
**APS Pension & Financial Services Inc.**  
**(516) 228-8444 E-mail [steve@apspension.com](mailto:steve@apspension.com)**