

5. Take it out! Use the most advantageous method to calculate your required minimum distribution. The IRS issued important new rules governing minimum required distributions from qualified plans and IRAs that became mandatory as of January 1, 2003. One of the most significant benefits of the new rules is that life expectancy tables have been updated to take into account increased life expectancies, resulting in longer distribution periods, and lower minimum distributions. Here's how it works. Your "Required Beginning Date," or RBD, is considered to be April 1st of the year following your 70th birthday. Your first "Required Minimum Distribution," or RMD, will be calculated on the value of all IRAs as of December 31 of the previous year, the year before you were 70½. Your first RMD can be withdrawn in the calendar year in which you turn 70, or you can wait until April 1st of the following year. If you defer it, though, you will still have to take out that year's RMD, so you'll end up with two distributions for that calendar year. Remember that all IRA accounts should be totaled to calculate your minimum distribution, but the entire distribution can be taken from any account. However, if you still have assets in a 403(b) plan you will need to calculate these distributions separately.

6. Stretch it out! Proper beneficiary designations make all the difference. A spouse can rollover a deceased spouse's IRA into their own IRA without

any tax consequence, but at that point beneficiary designations are crucial. No matter how many beneficiaries you have, generally the eldest will be the "designated beneficiary" and their age will determine the distribution options available to the rest. If there is a significant age difference among your beneficiaries, one strategy is to split up the IRA into separate accounts, one for each beneficiary, so that each can use their own age when distributions are calculated. Properly structured, the IRA you started twenty years ago can be paying distributions to your kids for the rest of their lives!

Of course, it's important to remember that while the IRS has gone a long way toward simplifying IRA rules, they are still complex and misinterpretation can be costly. Be sure to consult your CPA or tax advisor when you review your IRA distribution plan, investments and beneficiary designations. □

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