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Dear Friend:

Taking Advantage of the Required Minimum Distribution Holiday for IRAs

For 2009 only, the required minimum distribution (RMD) rules applicable to retirement plan withdrawals have been waived. This allows retirees to forgo a year's distributions. This change is geared to defer taxable income and hopefully the holdings - can recover before being further depleted. However, you should consider some planning opportunities before the suspension expires at the end of this year.

In general, the RMD rules apply to various traditional IRAs (not including Roth IRAs) and defined contribution plans sponsored by employers. The rule calls for distributions to commence by April 1 of the year, following the calendar year, in which the beneficiary turns 70 1/2 years of age or, if later, April 1 of the year following the year of retirement.

PLANNING OPPORTUNITIES:

The 2009 RMD holiday provides some flexibility: forgoing the distribution is optional; it is not an all or nothing provision. You may withdraw any amount, down to and including \$0. Because you may take a distribution as late as the last day of the year, you should be in a good position to take a distribution that optimizes tax savings.

- If you have unusually high medical expenses, much of the income resulting from an IRA distribution may be shielded from tax. Excess medical expenses cannot be carried over to another tax year, so the deduction will be lost if not offset.
- If you have charitable contribution carryovers that will soon expire, you may wish to take an IRA distribution to avoid permanently losing the deduction.
- Net operating losses (unfortunately common for 2008 and possibly 2009) can be carried over, but they, too, can partially or fully offset otherwise taxable income resulting from a pension distribution.
- If modified adjusted gross income is below the level requiring taxability of Social Security payments may consider withdrawing IRA distributions only to the level that would allow the Social Security payments to remain tax-free.
- If you find in 2009 that you are subject to maximum tax brackets lower than you are accustomed to due to any number of reasons, including capital losses and diminished interest and dividend income and you believe your income will be taxed in a higher bracket the following year, you may want to take some otherwise deferrable RMDs in the current year to trigger tax at lower rates.

We would be happy to discuss with you these and other planning opportunities, just give us a call.

Sincerely,

Lindsay & Gardner, CPAs, LLP

IRS regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) was not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties; furthermore, this communication was not intended or written to support the promotion or marketing of any of the transactions or matters it addresses. Our advice is based on facts, assumptions, and representations as stated and authorities that are subject to change. We will not update our advice for subsequent legislative or administrative changes or future judicial interpretations.