



Certified Public Accountants

January 19th, 2009

Dear Clients,

The Worker, Retiree and Employer Recovery Act of 2008 (the 2008 Recovery Act) contains a tax law change that will give older taxpayers some much needed financial flexibility as they struggle to manage their finances during this difficult economic time. Designed to help alleviate the financial burden facing seniors who have seen their retirement savings shrink dramatically, the new provision allows senior citizens to keep money in retirement accounts that they are typically required by law to withdraw once they reach age 70½. Here's a brief summary of this new provision:

As you know, the tax laws generally require individuals with retirement accounts to make withdrawals based on the size of their account and their age every year after they reach age 70½. Failure to make a required withdrawal can result in a penalty of 50% of the amount not withdrawn.

The new provision waives the minimum distribution requirement for 2009. This means you can leave the amounts in your account without suffering the 50% penalty. This wavier applies to IRAs and defined contribution plans, including distributions from 401(k), 403(b), and state-sponsored 457(b) accounts and is available to everyone regardless of their total retirement account balance. This relief also applies to after-death distributions to beneficiaries (inherited IRAS). However, the wavier is only for amounts otherwise required to be distributed for the 2009 tax year. If you or your spouse turned 70½ in 2008 and are planning to delay your 2008 distribution until 4/1/09 (the date the law requires that your first required distribution be made), this distribution must still be made. It is considered a 2008 distribution even though it is being made in 2009. Also, unless Congress extends this wavier, distributions will again be required after 2009.

Suspending the mandatory distribution requirement for 2009 will allow retirees to keep the money in their account if they choose, and possibly recover some of their unrealized losses. However, please keep in mind that this is only a summary of the new provision. If you would like to discuss this matter further, please do not hesitate to call.

Very truly yours,

Wall Foss Financial, LLC