No Required Distributions from Retirement Accounts in 2009

New law suspends them for 2009 only

By Joanna Woodworth

December 23, 2008

Minimum required distributions (MRDs) from certain retirement accounts have been *suspended* for 2009 with the signing of the Worker, Retiree, and Employer Recovery Act of 2008 by President Bush on December 23.

This is important news for retirees, because it suspends -- for 2009 only -- the IRS regulation that generally requires individuals, beginning in the calendar year following the year they turn 70½, to withdraw a minimum amount of money from their retirement accounts (like Traditional IRAs and 401(k)s) each year. This is called a minimum required distribution (MRD) or required minimum distribution (RMD).

No change to 2008 distributions
The provision in the Act does not impact 2008 MRDs. This may be confusing for those who turned 70½ in 2008 and are taking their first MRD in 2009 as the IRS allows. (According to IRS regulations, you have until April 1, 2009 to take their first MRD.) They still must take the 2008 MRD.

Key details about suspended 2009 MRDs
The minimum distribution suspension applies to individual retirement accounts and employer-sponsored qualified retirement plans. Examples of these accounts: Traditional IRAs, Rollover IRAs, SEP IRAs, Inherited IRAs, *Inherited* Roth IRAs, 401(k)s, and 403(b)s. (It does not apply to *non-inherited* Roth IRAs.[1])
If you are turning 70½ in 2009, you will not have to take your first distribution by April 1, 2010. You will, however, have to take a 2010 MRD by December 31, 2010.

If you have a 2009 MRD automatically scheduled
If you have directed Fidelity to automatically take an MRD for 2009 and you don't want to take it, you must instruct Fidelity to stop it. In January, Fidelity will be mailing impacted customers the necessary forms to do this. The good news: If you do end up taking the distribution by mistake, it can be rolled back into your retirement account without penalty.[2]

If you have an Inherited IRA

Some plans require that all distributions be taken from Inherited IRAs within a five year period. Because of the suspension of 2009 MRDs, the five year period will be determined without calendar year 2009. For example, for an Inherited IRA from an individual who died in 2007, under the provision in the Act, the five year period ends in 2013 instead of 2012.

If you are over 70½ and rolling over an employer-sponsored account

No MRDs will be required from retirement plan accounts that are rolled over to IRAs in 2009. Normally, if you are 70½ and older, you must take an MRD before rolling over to an IRA. Because MRDs are suspended for 2009, you will not need to take that MRD.

(Tell us what you think about this article. E-mail your comments to Investors.Weekly@fmr.com.)

1. Roth IRAs are not subject to MRD rules during the lifetime of the original owner.

2. Applies to the original owners of IRA and retirement plan accounts only at this time.

Information provided by the Joint Committee on Taxation, *Technical Explanation of H.R. 7327, the Worker, Retiree, and Employer Recovery Act of 2008*, as passed by the House on December 10, 2008 - (JCX-85-08), December 11, 2008.

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