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**CLIENT MEMORANDUM**  
*January, 2001*

**Recent Changes Regarding Payout of Retirement Accounts**

Congress has passed a new tax bill called the "Economic Growth and Tax Relief Reconciliation Act of 2001" (EGTRRA) which has been signed into law by President Bush.

In January, 2001, the IRS issued new Regulations, regarding the Required Minimum Distributions (RMD) from IRAs and other retirement accounts.

and an individual presumed to be 10 years younger):

In summary, the amount which you are required to withdraw each year from your retirement account after reaching age 70½, is now smaller than under prior law. And, there is now much greater flexibility in making beneficiary designations.

*You should not take your withdrawal for 2001 until you have made the computation under the new Regulations.*

Please call us if you need assistance in making that computation. Also, it is very important that you review your planned distributions and make sure that you have implemented the appropriate Designation of Beneficiary of your IRA or other retirement accounts, so that your family will be able to take advantage of the opportunities presented by these new Regulations.

Participants of IRAs and other retirement plans are required to take annual withdrawals, starting at age 70½. Previously a single person was required to assume about a 15-year life expectancy. Now, your RMD will be calculated using the following Table (which allows payout based on the joint lives of both the participant

UNIFORM DISTRIBUTION PERIOD TABLE*			
Participant's Age	Distribution Period	Participant's Age	Distribution Period
70	26.2	93	8.8
71	25.3	94	8.3
72	24.4	95	7.8
73	23.5	96	7.3
74	22.7	97	6.9
75	21.8	98	6.5
76	20.9	99	6.1
77	20.1	100	5.7
78	19.2	101	5.3
79	18.4	102	5.0
80	17.6	103	4.7
81	16.8	104	4.4
82	16.0	105	4.1
83	15.3	106	3.8
84	14.5	107	3.6
85	13.8	108	3.3
86	13.1	109	3.1
87	12.4	110	2.8
88	11.8	111	2.6
89	11.1	112	2.4
90	10.5	113	2.2
91	9.9	114	2.0
92	9.4	115 and older	1.8

**\* Do not use this Table if the Spouse is the Designated Beneficiary and is more than 10 years younger than the Participant.**

For a participant at age 70½, this will allow for a payout over some 26 years; thus, a smaller annual payment and therefore more tax-deferred compounding within the IRA.

For example, if the IRA is \$300,000, then the required withdrawal for the year at age 70½, is \$11,450.38 (that is, \$300,000/26.2).

Even if you reached age 70½ before this year, and made an otherwise "irrevocable" (under the old law) payout election, you may now be allowed to withdraw a significantly smaller amount from your retirement account for this year and for all future years.

These new rules are especially beneficial if you have previously chosen a "recalculation" method, which might have resulted in your beneficiaries' being required to withdraw your entire IRA in a single year in the event of your death. Under the new rules, the designated beneficiary will be able to withdraw the balance over a term of years *based on his or her life expectancy*, regardless of the participant's age and regardless of what method of payout the participant may have previously elected. This is a major benefit for beneficiaries of IRAs.

These rules dictate only the required "minimum" withdrawal. A participant is always free to withdraw more than the RMD.

*Please do not hesitate to give us a call, if you should have any questions or need any additional information about these or other estate and tax matters.*