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Required Minimum Distributions for 2010

On December 23, 2008 President Bush signed into law the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA). This act provided a temporary (one year) waiver of the calendar year 2009 Required Minimum Distribution (RMD). The RMD applies again for the 2010 plan year.

The formula for calculating RMDs remains the same. Prior year ending account balance is divided by the employee's remaining life expectancy found in actuarial tables in IRS Publication 590. Deficiencies are subject to a 50% excise tax to the participant on the amount that should have been taken.

RMDs must be taken by active employees who have reached age 70½ during the calendar year and are more than 5% owners. If an employee is active, reaches the age of 70½ and is not at least a 5% owner, he does not have to begin taking RMDs until he terminates employment. The first RMD must be taken by April 1st of the year following the year the employee attains age 70½ or terminates employment, whichever applies. All following RMDs must be taken by December 31st of subsequent years.

Individuals that attained age of 70½ in 2009 were allowed to skip their first required distribution that had to be distributed by April 1, 2010. For 2010, these individuals only have to take one distribution prior to December 31, 2010.

If you have any questions about required minimum distributions for 2010, please contact Administrative Retirement Services, Inc.

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