

# *Barto, Hoss & Company, P.C.*

Certified Public Accountants

## **"Why it may pay to accelerate mandatory distributions from a retirement plan or IRA"**

### **Dear Client:**

When it comes to taxes, reaching age 70-1/2 is an important milestone. That's because you'll have to start taking minimum annual distributions from your traditional IRAs for this year (and if you've already retired from your company, you also must begin making withdrawals from your company retirement plan as well). If you don't take these minimum distributions when you're supposed to, you could get hit with a 50% penalty tax.

When must these minimum distributions begin? If you reach age 70-1/2 this year, you have until April 1, 2003 to take your *first year's* distribution, namely the one for 2002 (your age 70-1/2 year). However, if you wait until 2003 to take this distribution, you may wind up loading too much income into one year. That's because you'll also have to take your *second year's* annual minimum distribution in 2003. That could have unpleasant tax consequences. For example, you may be pushed into a higher tax bracket. Additionally, you may be hit with a larger tax on social security benefits in 2003, and saddled with larger cutbacks for deductions (such as for medical expenses) that have an adjusted-gross-income-based "floor."

However, the decision to accelerate minimum distribution payouts is not an easy one and is not for everyone. Your overall financial picture must be taken into account. We'd like to sit down with you and review your financial and tax situation and determine whether you'd be better off beginning required distributions this year, instead of next.

Give us a call at 423.855.0700 so that we can get together and set up the right IRA and retirement plan payout strategy for you and your family.

Very truly yours,

Barto, Hoss & Co., P.C.