Special Tax Break for Seniors Over Age 70 1/2

In 2009, many taxpayers over age 70 1/2 are allowed to skip one year of withdrawals from their retirement accounts without penalty! Typically, you must take minimum distributions from your retirement accounts after age 70 1/2 in order to avoid paying penalties. This is known in tax lingo as a "required minimum distribution", or "RMD." Under normal conditions, the RMD rules would not be that big of a problem for most taxpayers because they simply require you to start drawing income from retirement funds that you've accumulated over the years.

However, in light of the most recent turmoil in the financial markets, now is really not a good time for most people to be selling investments at depressed market prices in order to draw income from their retirement accounts and meet the RMD rules. That is why Congress and the President agreed to waive the RMD rules for one year — 2009 — and allow many seniors age 70 1/2 and older to leave their money in their retirement accounts. If you meet the requirements for this new law and decide to leave your funds in your retirement accounts, you could potentially achieve two enormous benefits:

1. You could avoid depleting your investment accounts after they have declined in value due to adverse market conditions
2. Your retirement accounts could be better prepared to participate in potential investment gains if the financial markets recover in 2009

Interestingly, since 1926, we have had 13 bear markets total, 9 of which (including the current bear market) were combined with a recession. In the 8 prior bear market-recessions, the average decline on the S&P 500 was -39%. The average 1 year return on the S&P 500 after the lowest point of the bear market was +46%. In other words, if history is any guide, the markets could recover quite nicely once this bear market is over. If you keep your funds invested in 2009 instead of taking minimum distributions, this could pay off well for you.

Of course, it is important to note that I am providing this information to you as your mortgage planner, in order to make you aware of some of interesting ideas that may benefit you. I am not an investment, tax, or legal advisor, and this information does not constitute legal, tax or investment advice. I definitely recommend that you consult with properly licensed legal, tax and investment advisors for specific advice pertaining to your individual situation.

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Whether or not you decide to take minimum distributions from your retirement accounts in 2009, another idea you may consider is to potentially take advantage of the historically low mortgage rates that are currently available. Mortgage proceeds could be used for any purpose including gifting or loaning funds to relatives and/or providing extra funds for your own situation. It is always advisable to consult with a Certified Mortgage Planning Specialist ™ (CMPS®) when navigating today's turbulent mortgage and real estate marketplace. As a CMPS® professional, I am committed, qualified and equipped to help you evaluate your mortgage options!

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