



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Top IRA Rulings of 2015

As usual, 2015 produced numerous new laws, IRS actions, and court decisions that affected IRAs and other retirement accounts. Here are last year's top rulings:

The New Age 50 Exception

Distributions from retirement plans before age 59½ typically trigger a 10% penalty, but there are some exceptions to that age requirement. For instance, participants in employer-sponsored qualified plans avoid this penalty if they separate from service during or after the year in which they reach age 55.

An even lower threshold – age 50 – applies to certain public safety workers. “The age 50 exception will become much broader, starting in 2016, thanks to legislation passed in 2015,” says Jeffrey Levine, Chief Retirement Strategist for Ed Slott & Co.

This exception applies to individuals who separated from service when they were 50 or older.

“In previous years,” says Levine, “the age 50 exception applied to withdrawals

from a governmental defined benefit pension plan by a qualified public safety employee of a state or local government agency.” Covered workers included police officers, firefighters, and emergency medical personnel.

“The Trade Priorities and Accountability Act of 2015 – yes, a trade bill – broadens the scope of the age 50 exception considerably,” says Levine. “In addition to governmental *defined benefit* plans, beginning in 2016 the exception also applies to distributions from governmental defined contribution plans.” That includes the federal government's Thrift Savings Plan.

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“In addition,” says Levine, “more workers will be covered. Certain *federal* public safety workers also can use the age 50 exception for distributions from defined benefit and defined contribution plans, starting in January 2016.” Covered federal employees include specified law enforcement officers, customs and border protection officials, firefighters and air traffic controllers.

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