



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

10% Early Distribution Penalty Exceptions Chart

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*The large print giveth, but the small
print taketh away.*

*-Tom Waits,
singer, songwriter (1949 -)*

It is generally not wise to withdraw early from your IRA or company retirement plan as you undo years of disciplined savings, not to mention the 10% early withdrawal penalty, which is in addition to the income tax. Retirement funds, once withdrawn, are hard to replace and should only be tapped early as a last resort.

That said, there are times when clients need to access their retirement funds early and in that case, advisors should do all they can to see that the tax cost is not compounded by the imposition of the 10% penalty. There are numerous exceptions but advisors need to be careful that they are applying these exceptions properly. Our feature article "*10% Penalty Exceptions and Traps*" should be used with clients who need to withdraw early. In the article we highlight many Tax Court cases where the 10% penalty was assessed because the taxpayers or their advisors did not know how the penalty exception rules worked.

NUA-CRT

**Combine the
NUA tax break
with charitable
planning.**

Also included in this issue is information on the two new exceptions to the 10% early withdrawal penalty under the Pension Protection Act of 2006. The exceptions apply to early distributions taken by public safety employees and active reservists. IRS Notice 2007-7 includes guidance for public safety employees who are also taking 72(t) payments.

The exception for active reservists is a retroactive provision that actually allows refunds for those who paid the 10% penalty in prior years, even if they were closed by the statute of limitations, but refund claims for prior closed years must be filed by August 17, 2007, so time is running out.

This month's guest IRA expert once again is NUA maven Mark Cortazzo, CFP, Senior Partner, MACRO Consulting Group, in Parsippany, NJ. His NUA (Net Unrealized Appreciation) article "*An NUA-CRT Strategy Can Reduce Risk as Well as Taxes*" shows you how to combine the NUA tax break with charitable planning that works out for everyone, except Uncle Sam.

For more IRA information, visit our website at www.ira-help.com.

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10% Penalty Exceptions and Traps

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10% Early Distribution Penalty Exceptions Chart

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Guest IRA Expert

**Mark Cortazzo, CFP
Senior Partner, MACRO
Consulting Group
Parsippany, NJ**

**An NUA-CRT Strategy Can
Reduce Risk as Well as Taxes**

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