



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Use Caution When Making Changes to 72(t) Payment Plans

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"Whoever said 'learn from your mistakes' may have been smart, but it costs less to learn from other people's mistakes."

- Ed Slott

Our feature article, "**No Relief on These Rollover Mistakes**," shows us that 60-day rollover problems continue. A botched rollover is serious because the distribution becomes taxable and subject to a 10% early withdrawal penalty for those under age 59½ (where no exception applies).

IRS has the authority to provide relief through private letter rulings (PLRs), but only if there was a true intent to do a rollover. As you'll see in this issue, hanging your hopes on a favorable 60-day rollover ruling from IRS is no guarantee. If the funds distributed from the IRA or plan are not contributed back within the required 60 days and were used to pay bills, buy a home, pay for college or even pay nursing home expenses, IRS will not provide relief regardless of how harsh the tax consequences may be.

IRS has ruled favorably in many cases where it was clear that the funds

were meant to be rolled over, but the taxpayer still had to go through the time and expense of requesting a PLR to resolve the issue. Doing 60-day rollovers is like playing Russian roulette with your retirement savings. Advisors can help clients avoid these disasters by having them do direct rollovers (trustee-to-trustee transfers).

72(t) Rulings

This month's guest IRA expert is Joe Cicchinelli, CPA, M.B.A., Vice President of PMC, a retirement plans consulting firm. Joe and his technical staff, Sarah Brenner, Esq., Fran Krawiec, and Ed Mink discuss recent 72(t) PLRs in their article "**Modifying Substantially Equal Periodic Payments**".

IRS has issued several recent private letter rulings (PLRs) on 72(t) payment plans that may surprise you. Since a modification of a series of substantially equal periodic payments (SEPPS or 72(t) payments) triggers the 10% penalty retroactively, advisors need to know what situations or actions IRS would consider to be a modification of the 72(t) payment schedule.



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

Ed Slott, CPA
100 Merrick Road, Suite 200E
Rockville Centre, NY 11570

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Guest IRA Expert

Joseph L. Cicchinelli, CPA, M.B.A. of PMC Malvern, PA

Modifying Substantially Equal Periodic Payments ("72(t)" Distributions)

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