

1-Edit

Publication: Asheville Citizen-Times
Day: MONDAY
Section: W
Page: 9
Keyword: COLUMNS, INVESTING

Date: 04/25/2005
Edition: FINAL
Sectionname: WNC Business
Byline: BY WARREN W. WALL

Missed your RMD? Get out your checkbook

Missed your RMD? Get out your checkbook

E

Every so often, bills don't get paid or paperwork is overlooked. Statements can get lost in the mail, you might be on an extended trip when the payment is due, or you may have forgotten to send in the forms. Generally the company will just tack on a late fee or overlook the delay. However, the IRS is not so generous, especially when it comes to your required minimum distributions (RMD).

IRA owners must start taking RMDs no later than April 1 of the year after they turn 70 1/2. And by each Dec. 31 thereafter, they must do the same. Failure to follow these rules can be very expensive.

IRA custodians are obliged to tell the treasury department if they are subject to RMD; they do not, however, have to report the amount. If you miss taking a distribution or take one that is less than required, you must take the missed distribution and pay a 50 percent penalty on that amount.

And since distributions do not get special consideration as dividends or capital gains, they are considered ordinary income. Therefore, they are assessed at your highest federal and state tax rate. This means the penalty and income tax could possibly total more than 85 percent (assuming a combined federal and state tax of 35 percent plus the 50 percent penalty).

In short, IRA holders and their advisers need to pay close attention each year to correctly calculating their RMDs.

Warren W. Wall CFP, CSA is a local financial author and adviser with W. Wall & Co., Inc., a registered investment adviser. For contact and free investment workshop information, visit www.Wallco.com or call 651-9617.

Department: WNC BUSINESS
Docname: WALL ON THE STREET_0425
Pubdate: 04/25/2005
Typist: KATHLEEN DAVIS

Depth: 8
Docnumber: 990694
Source: STORY
Wordcount: 249

1-Edit

Author: KATHLEEN DAVIS
Status: Sent

Datatype: Text