

# THE FINANCIAL PLANNER

MARCH 2009

## RMD Relief

IRA owners received an early Christmas present at the end of 2008 when Congress suspended the rule that requires mandatory withdrawals starting at age 70 1/2.

The suspension, which also applies to other retirement plans such as 401(k)s and IRA beneficiaries who must withdraw funds from inherited IRAs over five years, is in effect for 2009 only.

### What Congress Did

The withdrawal rules work like this: If you have a traditional IRA, you must take a minimum annual amount from your IRA beginning in the year that you reach age 70 1/2. The amount is based upon your account balance at the end of the previous year and your life expectancy. If you don't make a withdrawal or withdraw the correct amount, there's a big penalty—50% of the difference between what you should have withdrawn and what you actually did withdraw, in addition to the usual ordinary income tax that you have to pay.

Congress has removed the 50% penalty from the books for this year, eliminating the need to take money from your IRA if you don't need it. As it stands now, mandatory withdrawals will be in effect

once again in 2010. For people who have inherited IRAs and are required to withdraw everything within a five-year period, if 2009 falls within those five years, the period is extended automatically by one year.

### How good is this news?

If you've seen your IRA balance tumble, as most people have, it's some relief that you won't have to take a payout that would further deplete the account (or be forced to sell assets with depressed values that you would rather hold on to for now). And, of course, even as the markets recover, with less in your IRA, the harder it will be to bring the balance back to where it was before the decline.

What's more, the opportunity to avoid a withdrawal does not eliminate the need to pay tax—it simply delays it. Using some round numbers, if you have, say, \$200,000 in your IRA right now, and your required payout was 4%, you would have pulled out \$8,000. At an income tax rate of 35%, you would have owed \$2,800. You still will need to pay that amount when you eventually withdraw the money.

There is a small economic benefit for the continued tax deferral on the \$8,000 for one year. Assuming that you earn 5% on that money for a year before it is withdrawn, it's \$400 more in your IRA. Not much, to be sure, but certainly welcome in times such as these. © 2009 M.A. Co. All rights reserved.

(Continued on back)

## FACTS OF INTEREST

### Ranked in the top 9%

of over 2000 chartered trust entities in the United States by Trust Performance Report for the Quarter ending September 30, 2008

### Over 2100 account relationships

in 43 states and 6 foreign countries

### Over \$1.25 billion

in assets under management and custody

### For decades,

Security National Bank's Trust Division has received consistently positive reviews from internal and external auditors and regulatory authorities.

### Top 1%

Security National Bank's retirement plan investment performance ranked in the top 1% of its 4,530 peers and the top 12th percentile of all 135,159 plans in the Judy Diamond & Associates data base (As reported on the most current data available)

### Security National Bank's Model Stock portfolio when compared to the universe of Morningstar large cap blend funds would rank\*:

- For 1 yr performance in the top 3% of all 2,276 comparable managers
- For 3 yr performance in the top 3% of all 1,995 comparable managers
- For 5 yr performance in the top 5% of all 1,708 comparable managers

### Security National Bank's Representative Fixed Income portfolios when compared to the universe of Morningstar intermediate bond funds would rank\*:

- For 1 yr performance in the top 4% of all 1,194 comparable managers
- For 3 yr performance in the top 6% of all 1,126 comparable managers
- For 5 yr performance in the top 5% of all 1,071 comparable managers

Our team has an average of over 12 years with Security National Bank and over 800 years of combined banking and finance experience.

### Our team is comprised of:

- Attorneys
- Certified Trust and Financial Advisors (CTFA)
- Certified Financial Planners (CFP®)
- Chartered Financial Analyst (CFA)
- Qualified Retirement Advisors (QKA)
- Masters in Business Administration (MBA)

### Register to Win a \$5 gift card to Cup O Joy or Starbucks at:

# snbwealth.com

*Need not be present to win. No purchase necessary. Must be 18 years old.*

| *Login to your accounts*

| *Read topical articles*

| *Check the markets*

| *Listen to educational podcasts*

| *Stay on track with your financial goals*



Security National Bank  
601 Pierce St., Sioux City, IA 51101  
(712) 277-6586 • www.snbwealth.com



Security National Bank of South Dakota  
325 Dakota Dunes Blvd.  
Dakota Dunes, SD 57049  
(605) 232-6065 • www.snbwealth.com



Security National Bank of South Dakota  
6601 So. Louise Ave., Sioux Falls, SD 57108  
(605) 977-9007 • www.snbwealth.com