



CWR Monthly

January 2009

Worker, Retiree, and Employer Recovery Act of 2008

Both the House and Senate unanimously passed the Worker, Retiree, and Employer Act of 2008 on December 11, 2008. The new law temporarily suspends the requirement for taxpayers age 70 ½ and older (and their beneficiaries) to make annual minimum distributions from their retirement accounts. This will provide older Americans some much-needed financial flexibility as they struggle to manage their finances during this difficult economic time.

Tax law generally requires individuals with retirement accounts to make required withdrawals (called RMD's) based on the size of their account and their age every year after age 70 ½ . [The new law suspends the required minimum distribution \(RMD\) from retirement accounts in 2009.](#) This waiver, available to everyone regardless of their total retirement account balances, applies to all defined contribution plans, including 401(k), 403(b), 457(b), and IRA accounts. Suspending the mandatory withdrawal allows retirees to keep the money in their account if they choose, and possibly recover some losses. The suspension for 2009 also applies to beneficiaries of retirement plan accounts and IRA owners. [At present there is no provision to suspend required minimum distributions \(RMD\) for 2008, however, the Treasury is "looking at this issue, but has no timeframe for any decisions or announcements".](#)

The new law also provides relief for single-employer plans by allowing employers to "smooth" the value of pension plan assets over 24 months instead of having to apply the mathematical average that Treasury requires. This change will soften the accounting of 2008 plan losses.

The new law also helps multiemployer plans, which may elect to "freeze" their status as (or as not) "endangered" or "critical" for one year. Plan years that started between October 1, 2008 and October 1, 2009 may elect to retain their improvement or rehabilitation plan, respectively.

The new law also provides an election for sponsors of multiemployer plans in endangered or critical status in plan years beginning in 2008 or 2009, allowing a three year extension of a funding improvement or

rehabilitation plan. That allows these plans to accomplish their goals in 13 years instead of 10 (18 years instead of 15, for seriously endangered plans).

Finally, the new law also makes numerous technical corrections to the Pension Protection Act of 2006.

President Bush is expected to sign this legislation as soon as it reaches his desk.

This year-end round of tax legislation foreshadows much more tax legislation, first in the form of a large stimulus bill, expected to be unveiled by the 111th Congress before President-elect Barak Obama takes office.

Pension benefits experts also forecast that the Worker, Retiree, and Employer Recovery Act represents only the first step in shoring up retirement plans, with further relief likely in 2009.

Till Next Time,

Charles W. Register, EA, CPB
CWR Financial Services, LLC

Disclaimer

The information presented in this newsletter is provided as a public service to provide clients and other visitors with general financial information. Every effort is made to provide accurate information; however, errors may occur due to the nature of the subject matter and interpretation of any laws and regulations involved. The information provided on this site should not be construed as legal, tax, accounting or investment advice. You should consult with a legal or financial professional familiar with your circumstances for appropriate financial advice before making any decision. CWR does not warrant the completeness, accuracy or timeliness of the information provided and offers no warranties regarding the content of this site, either expressed or implied.