



Q4 2007 | SEC Registered Investment Advisor

EVERYONE CAN RELAX *and stretch out*

Over the last several years, we have read and heard much about the "stretchout" IRA.

Many IRA holders have painstakingly learned about the extreme complexities of Required Minimum Distributions (RMDs) and the ability to provide a stream of income to their beneficiaries at their death. Well, we can all relax now; the IRS issued proposed regulations that have all but eliminated the fear of making bad decisions and essentially allows a "stretchout" IRA for everyone.

RMD rules state that once a participant reaches the age of 70½, funds must be withdrawn each year from their IRA. RMD calculations are based on the participant's birthdate and the previous year's ending value of the IRA account.

Upon the death of an IRA participant who has begun RMDs, the beneficiary is required to continue (or accelerate) withdrawals from the IRA. The "stretchout" IRA concept simply addresses the availability of beneficiaries (often younger beneficiaries) to continue the "life" of the IRA. This allows the beneficiary to receive the benefits, such as continued tax deferral, of the IRA over the remaining "life" of the IRA. In the

past, it took careful planning to make an IRA a "stretchout" IRA. However, in 2001, new regulations from the IRS made stretching out an IRA easier than ever before.

Under the new rules, as long as



all of the IRA beneficiaries are living people, then the "stretchout" IRA will be the default election.

Each beneficiary may take RMD's according to his or her own life expectancy, provided the IRA is divided into separate beneficiary IRA's by December 31st of the year following the year of the participant's death. If the IRA is not split into separate IRA's, then the RMD's will be taken according to the eldest beneficiary's life expectancy. If a trust is the IRA beneficiary, then a "stretchout" may be accomplished, provided the trust is deemed to be a "designated beneficiary."

2007 REQUIRED MINIMUM DISTRIBUTIONS (RMD)

have you taken yours?

The end of 2007 is fast approaching. If you are age 70½ and have not taken your RMD for 2007, you need to make arrangements to do so. Contact our office to obtain the necessary form and dollar amount you are required to withdraw. If you are unsure if you have taken at least the minimum amount required, contact our office. The deadline to satisfy the requirement is **December 31**.

Helpful hints for fulfilling RMD requirements:

- If you have more than one retirement account, you must determine the RMD separately for each IRA. You may total the sum and distribute that amount from one or more of the retirement accounts.
- You may always take out more than the RMD, but any amount over the RMD cannot be carried over for a following year.
- All RMDs are reported on Form 1099-R.
- Contributions to the account must be discontinued once the participant reaches 70½.
- RMDs are not eligible for rollover into any other type of retirement account.
- Charitable distributions require a different form so please call to gift your RMD to a charity.



CONGRATULATIONS

Congratulations to Terry Lang, our Chief Compliance Officer, who has successfully completed the requirements and examination to earn the Investment Advisers Certified Compliance Professional designation (IACCP).

OFFICE RETREAT

The FI staff will be attending a planning retreat **October 23 – November 2, 2007**. **The office will be closed on October 26, 29 and 30 only**. A portion of the staff will be in the office the remainder of the days to assist clients. If you need a trade placed during the days the office is closed, or require immediate assistance, you may call the Raymond James home office at 1.800.248.8863.

COMMUNITY UPDATE

The final quarter of the year is a busy time for charitable organizations. Financial Insights continues its involvement with various organizations. Some upcoming events are:

- **WA Women Employment & Education**
WWEE Benefit Breakfast – October 3
- **Pierce County Hunger Walk**
FI will be participating on behalf of the Emergency Food Network – October 7
- **Emergency Food Network (EFN)**
Abundance Dinner & Auction – October 27
- **Olive Crest: Be the Miracle**
Financial Insights is a corporate sponsor for this benefit breakfast – December 13
The FI staff are members of the South Sound Olive Crest Auxiliary with Marilyn Mullenax serving as the President and Tingwei Chiang as the Secretary/Treasurer. Terry Lang serves on the Board of Trustees.
- **Bikers Against Statewide Hunger (BASH)**
Holiday Baskets for needy families in the South Sound region. FI is donating the turkeys and manpower to fill and distribute the baskets.

AVOID A HUGE PENALTY *when you miss the deadline*

Starting no later than April 1 of the year after an IRA owner turns age 70½, they are required to start drawing annual distributions. These “required minimum distributions” (RMDs) are based upon the year end account balance and the IRA owner’s age.

The penalty for missing an RMD is one the most severe in the tax code: 50% of the amount that was to be distributed. For example, if were to take \$10,000 from your IRA in 2006, the penalty would be \$5,000.

Fortunately, Congress has given the IRS board latitude to waive the penalty if there is a reasonable explanation. Should you discover you have missed any RMDs, it is advised that you withdraw all missed distributions as soon as possible. IRS Form 5329, which aids in calculating the penalty, must be completed for each year the RMD was missed. The form may be downloaded from the IRS website, www.irs.gov under More Forms and Publications. The form may be mailed to the IRS processing center where you mail your tax return each year. Mark it: “Attention Customer Account Services.” Your letter of explanation may include health



issues, forgetfulness, etc. and that you took the distributions as soon as the mistake was realized. Be sure to request that the penalty be waived due to the circumstances. If the IRS decides not to waive the penalty they will send you a bill.

You may wish to go the extra mile and personalize your letter. Call the IRS processing center to get the name of the individual who will make the decision as well as their mailstop. When the IRS receives the letter it starts the statute of limitations running. You may assume you are okay if you don’t hear from the IRS in three years.

