



HANLON

INVESTMENT MANAGEMENT, INC.

FOR CALENDAR YEAR 2009, AGE 70 ½ AND ABOVE REQUIRED MINIMUM DISTRIBUTION CHANGES

2/10/09

Dear Advisors:

As you may be aware, on Tuesday, December 23, 2008 legislation was signed suspending Required Minimum Distributions (RMD) withdrawals from tax-deferred retirement accounts for tax year 2009.

Please find outlined below, in Q & A format, information that we believe may be helpful to you in understanding this and in communicating with your clients. It is important to note that Q&A below is merely a consolidation of information obtained through various sources such as the Wall Street Journal Saturday-Sunday, December 27-28, 2008 edition. By no means is Hanlon Investment Management (HIM) an authority on tax related issues and we do not provide tax advice. We are merely consolidating information we have obtained and passing it along. We strongly urge that you contact a tax professional if you have any questions or to confirm the information below.

Q: What impact will the new law have?

A: The new law suspends required distributions in 2009, giving investors an opportunity to benefit from any possible rebound in the market thus possibly recovering some of the losses they likely sustained this year. Unless Congress decides to extend the moratorium on RMDs, those over age 70½, along with those who have inherited IRAs or 401(k)s, will need to resume taking withdrawals in 2010.

Q: Do your clients have to take a withdrawal from their IRA in 2008?

A: Yes. The new law has no impact on 2008. So, if your clients are required under existing rules to withdraw funds in 2008, they must do so.

Q: If your clients turned 70½ this year and had planned to take their first withdrawal by the April 1, 2009 deadline, does the new law permit them to skip it?

A: No. The law suspends distributions only for 2009. Although first-timers are allowed to delay 2008's distribution until April 1, 2009, the withdrawal still counts toward their obligation for 2008. If your clients turned 70½ in 2008 and decided to wait until April 1, 2009, to make their first withdrawal, that deadline still applies.

Q: What if your clients turn 70½ in 2009?

A: They will have until Dec. 31, 2010, to take their first withdrawal. The IRS will consider that withdrawal to be their second distribution.

Normally, people who reach age 70½ in 2009, and who wait until April 2010 to take their first withdrawal, would have to take two distributions in 2010, one for 2009 (their first distribution) and one for 2010 (their second distribution). The second distribution would have to be taken by Dec. 31, 2010.

The new law suspends distributions for 2009. Thus, first-timers (anyone who turns 70½ in 2009) won't be required to make a 2009 withdrawal, which normally could take place until April 1, 2010. But your clients will need to make the 2010 withdrawal which will be considered their "second" distribution by Dec. 31, 2010. (Put another way: clients who turn 70½ in 2009 would not be able to wait until April 1, 2011, to take their first withdrawal.)

Q: If a client inherited an IRA and is taking money out under a five-year deadline, what can they do in 2009?

A: Clients can skip the withdrawal in 2009. This will stretch the five-year deadline out by another year.

Lastly, please keep in mind that you may have clients who may be exempt from taking their 2009 RMD and who have a systematic withdrawal in place. If this is the case and your clients would like to discontinue these withdrawals, please contact our Client Service Department at 1-888-641-7100.

As always, we thank you for the opportunity to be of service and hope you find this information helpful in servicing your clients.

NOT TAX ADVICE, PLEASE CONSULT A TAX ADVISOR FOR DETAILS