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To Clients and Professional Advisors:

The Treasury Department has finalized sweeping new regulations which overhaul and simplify the system of determining the required annual minimum distributions from IRAs, 401(k)s and other tax favored retirement plans. Listed below are the key points of the new regulations:

1. There are three new life expectancy tables listing divisors that account owners and designated beneficiaries may use to compute required minimum distributions. The age to be used is that attained as of December 31st of the year of distribution. The valuation of assets is determined as of January 1st of the year of distribution.

a. The Uniform Lifetime Distribution Table (copy attached) will be utilized to determine the annual required minimum distribution based on the participant's age. This Table is based on updated mortality tables; for example, the age 70 divisor has been increased to 27.4. The issues concerning the selection of a method of calculation and the beneficiary when the participant reaches age 70 ½ have been eliminated. The new table lists the divisors which calculate the smallest minimum distribution amount permitted under the old system (MDIB Tables) which will allow for greater tax deferred growth.

b. The Joint Life Table is to be used for a participant whose spouse is more than ten (10) years younger and is named as the sole beneficiary.

c. The Single Life Table is to be used by designated beneficiaries to compute required minimum distributions on inherited retirement accounts calculated in the year following the account holder's death.

2. If there is no designated beneficiary, the distribution period after death is determined by the participant's remaining life expectancy prior to death;

3. When the death of the account holder occurs after the required beginning date, the distribution period will be the **longer** of the life expectancy of the designated beneficiary or the deceased account holder.

4. Although the effective date of the regulations is January 1, 2003, taxpayers may rely upon the new finalized regulations or either the 1987 or 2001 proposed regulations for determination of the required minimum distributions for 2002. Participants older than 70 ½ may now disregard their current elections and use the new Uniform Lifetime Distribution or Joint Life Tables;

5. An inherited IRA may be divided into separate accounts for multiple beneficiaries to utilize their different life expectancies;

6. When the death of the account holder occurs before the required beginning date, the default provision permits the designated beneficiary to use his or her life expectancy rather than the five year rule. A beneficiary who defaulted to the five year rule under the 1987 regulations may now switch to the life expectancy method provided that any missed minimum required distributions are taken by the earlier of December 31, 2003 or the

end of the fifth year after the account holder's death.

7. The identity of the ultimate beneficiary of an IRA is not required to be finalized until September 30th of the year following the death of the participant. Beneficiaries can now be changed as many times as desired prior to the death of the participant. In addition, beneficiaries can subsequently disclaim an interest in an IRA to allow the benefit to pass to contingent and possibly younger beneficiaries. However, a designated beneficiary can not be named after the death of the IRA owner to use that new designated beneficiary's life expectancy as the measuring life;

8. If a charity is a co-beneficiary, it can cash out its benefit allowing the individual beneficiaries to use their own life expectancies;

9. Marital status is determined as of January 1 of the distribution year. Any change in marital status subsequent to that date will not be reflected until the following year. Similarly, if the beneficiary of the account is changed due to the death of the spouse-beneficiary, that will not be reflected until the following year.

10. A spouse can take a distribution and roll that distribution (except for any part that is a minimum required distribution) into his or her own IRA within 60 days.

11. In order to qualify a beneficiary of a trust as a designated beneficiary, the documentation required by the regulations must be provided to the plan administrator or IRA custodian by October 31st of the year after the year of the account holder's death. There is a transition rule that allows the trust documentation to be provided by October 31, 2003 for trusts that missed the deadline under the old regulations.

12. If a trust is a beneficiary, all beneficiaries of the trust are considered in determining the beneficiary with the shortest life expectancy. However, an individual whose benefit is contingent upon another beneficiary dying prior to the payout of the entire plan balance is ignored.

13. A trustee to trustee IRA transfer after age 70 ½ will no longer require the transferor trustee to retain the minimum required distribution for that account.

14. Beginning in 2003, IRA custodians must either notify the IRA holders of the amount of their minimum required distribution, or offer to compute it for the IRA holder on request. Beginning in 2004, the custodian must notify the IRS that a minimum distribution is required for an account (but not the amounts). These reporting requirements are only applicable when the IRA holder is alive. There is no reporting requirements currently for inherited IRAs.

Every participant should review his or her beneficiary designation forms for all retirement plans including multiple IRAs. It is imperative that a beneficiary be designated and the form filed with the custodian of the account. If a beneficiary designation form is not completed, the Estate will be deemed to be the beneficiary of the retirement account but will not be entitled to avail itself of the life expectancy tables available to designated beneficiaries to stretch out distributions.

Our office is ready to assist you or your clients in exploring retirement planning issues and sophisticated estate planning opportunities including family limited partnerships, personal residence trusts and charitable scenarios which will assist in the preservation of wealth for future generations, as well as our other areas of specialization, including tax dispute resolution, business representation, employment and executive compensation issues and real estate.

Uniform Lifetime Distribution Table*

Age of the Employee	Distribution Period
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7
81	17.9
82	17.1
83	16.3
84	15.5
85	14.8
86	14.1
87	13.4
88	12.7
89	12.0
90	11.4
91	10.8
92	10.2
93	9.6
94	9.1
95	8.6
96	8.1
97	7.6
98	7.1
99	6.7
100	6.3
101	5.9
102	5.5
103	5.2
104	4.9
105	4.5
106	4.2
107	3.9
108	3.7
109	3.4
110	3.1
111	2.9
112	2.6
113	2.4
114	2.1
115 and older	1.9

* This table is not to be used if a spouse is more than ten (10) years younger than the beneficiary.