

72(t) Payment for Early Distributions

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If you expect that you'll have to tap into your retirement accounts before you reach age 59 __, a 72(t) payment schedule will help you avoid the 10% early withdrawal penalty. But proceed with caution. An error in your repayment schedule could cost you.

How Does It Work?

The 72t "substantially equal periodic payments" payout exception allows you to access your retirement funds early without the 10% early distribution penalty. Once you've left an employer, you can roll over your qualified retirement money to your own IRA rollover account tax-free. There is no limit on the amount that can be rolled over tax-free.

The "substantially equal periodic payments" payout exception will eliminate the 10% penalty on amounts you withdraw from your IRA pension accounts. You will still have to pay the regular taxes on any pension funds that you withdraw, regardless of age or distribution method.

What Should I Do Next?

Roll over your lump sum distribution pension funds in a newly established IRA Rollover account to simplify record keeping and tax treatment. It's in this new IRA rollover account that you'll have the flexibility to implement a "substantially equal periodic payments" payout program. You can set up this special payout program for just one or all of your IRA accounts. Very specific methods of calculations must be used to determine the exact amount that you can receive. A botched payout schedule may result in your paying the 10% penalty, which you are trying to avoid.

The Bottom Line

It's absolutely critical that you trust the set-up of your 72(t) repayment schedule to a qualified and knowledgeable professional. The newest rules should be used to do this, as well as complete calculations, monitoring, and documentation of your transactions.

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IRAs, and 1031 Exchanges. He can be reached for consultation by calling 770.540.9142 or emailing bhenderson@centurionag.com.