MONEY MANAGEMENT

PROPERLY TIMING YOUR IRA WITHDRAWALS CAN SAVE YOU TAX DOLLARS

How and when you withdraw money from your Individual Retirement Account (IRA) affects just how much you can benefit from your hard-earned savings. The Nevada Society of CPAs points out that by making your IRA withdrawals in an organized and orderly way, you can avoid unnecessary penalties and obtain the maximum return on your investment.

WHEN TO BEGIN WITHDRAWALS?

Generally, you can withdraw as much or as little money as you need from your IRA without any penalties when you are between the ages of 59 1/2 and 70 1/2. Amounts withdrawn are taxable at your current tax rate. For this reason, if you or your spouse are still working, you may want to wait until you are retired to begin withdrawing the money. With less income, the tax on your IRA distribution is likely to be lower.

The law requires you to make your first IRA withdrawal by April 1 of the year after which you reach age 70 1/2, even if you are still working. That means taxpayers who reach age 70 1/2 in 1993 have until April 1, 1994, to make the withdrawal.

Keep in mind that withdrawals for subsequent years, however, must be made by year end. Thus, if you choose to defer your initial 1993 withdrawal until 1994, two withdrawals will have to be reported on the 1994 tax return, possibly pushing you into a higher tax bracket.

Be aware that waiting until the last minute to cash in on your IRA subjects you to strict Internal Revenue Service rules. The IRS has established timetables that show how much money you must take out each year based upon the life expectancies of you and your beneficiaries. Both your age and the amount of money in your IRA accounts are used to calculate a minimum annual withdrawal. Failing to make this minimum withdrawal subjects you to a stiff penalty of 50 percent of the difference between the minimum required amount and what you actually withdrew. For instance in calculating your minimum withdrawal, see IRS Publication 590, Individual Retirement Arrangements.

PENALTY-FREE WITHDRAWALS BEFORE AGE 58 1/2

In most instances, you are subject to a 10-percent penalty on any IRA withdrawals taken before you are age 59 1/2. However, there are some exceptions.

You can withdraw money from your IRA at any age without incurring the 10 percent penalty if you take the money out in the form of annuity — a scheduled series of substantially equal periodic payments spread over your lifetime. These payments must be made at least annually and should be paid over your life or life expectancy, or the joint life or life expectancy of you and your beneficiary. Be aware, however, that if you opt for an annuity, you can't change the payout method for at least five years or until you reach age 59 1/2, whichever comes later.

IRA ROLLOVERS

What if you're having a crash flow problem and want to tap into your IRA for a short period of time before you reach age 59 1/2? According to CPAs, you will not suffer a penalty or any tax consequences as long as you roll over the distribution into another IRA within 60 days.

The new rules calling for 20 percent withholding on payments from pension plans to participants applies to qualified retirement plans and not to IRAs. Of course, you also can avoid the 20-percent tax by having a qualified plan distribution rolled over directly into an IRA or another qualified plan.

Be aware that you are allowed only one rollover per year for each IRA account if the distribution is provided directly to you.

However, transfers made directly from one trustee to another — for example from one company IRA plan to another — are not subject to the once-a-year rule.

LARGE IRA DISTRIBUTIONS

You can elect to take a partial or lump-sum distribution from your IRA accounts. However, CPAs point out there are IRS penalties for large IRA distributions. If you have a substantial amount invested in IRAs, be sure to check these rules before making a large withdrawal.

MONEY MANAGEMENT is a weekly column on personal finance prepared and distributed by certified public accountants. Nevada Society of Certified Public Accountants, 5270 Neil Road, Suite 102, Reno, NV 89502.

8TH ANNUAL AICPA NATIONAL CONFERENCE ON CREDIT UNIONS TO BE HELD IN LAS VEGAS - NOVEMBER 8-9

The American Institute of Certified Public Accountants (AICPA) will conduct it's National Conference on Credit Unions from November 8 to 9 at the Las Vegas Hilton.

Cosponsored by the Nevada Society of CPAs, this conference is designed to provide practitioners with information concerning the latest accounting, auditing, legal and regulatory developments affecting the credit union industry.

Leading representatives from the Federal Accounting Standards Board, the National Credit Union Association, and the Credit Union National Association, as well as other industry experts, will address prevailing issues and offer valuable insights and practical solutions to problems facing clients in this industry.

Highlights of this year's conference include:

* Truth in savings: how will this change the industry?
* Credit unions in the '90's: the latest trends, challenges and developments.
* Investments in collateralized mortgage obligations and other mortgage derivatives.
* Asset liability management issues.
* New! AICPA Credit Union Accounting and Audit Guide and issues unique to credit unions.

CPAs can earn up to 16 hours of CPE credit but attending this conference. An optional session (an additional four CPE hours) will be help on November 10.

For additional conference information, please call 1-800-TO-AICPA (1-800-862-4272). Select Department #3, option #2.

The AICPA is the national professional organization of CPAs with more than 310,000 members in public practice, industry, government and education.