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TAX LETTER

Are Seniors In Their 70's, 80's and 90's Part of The "People"?

Dear Clients and Friends:

On December 10, 2008 the House passed the "Worker, Retiree and Employer Recovery Act of 2008, HR 7327". This bill would waive a 50 percent penalty on seniors over the age 70 1/5 who did not take a required minimum distribution (RMD) from their retirement accounts, such as 401K and IRA, etc. But this relief only apply to 2009 RMD, not 2008 RMD.

When this bill was moving through the House, the House Ways and Means Committee Chairman, Democrat N.Y. Charles B. Rangel said: "This relief will help **workers** and **seniors** to safeguard their retirement savings during the economic crisis". One may ask, what's wrong with the passage of the bill and what's wrong with Rangel's statement?

First, the rules only apply to seniors over the age 70 1/5, but Rangel dared to say "will help **workers**", what workers? Did he mean workers over the age of 70 and a half?

Second, the relief is for 2009 and not for 2008. The economic crisis created by the irresponsible home buyers, mortgage bankers, commercial banks, insurance companies, investment firms, Wall Street, etc. damaged our economy and took our market to the cleaner in 2008, not 2009. Most of the seniors lost half or more than half of the value of their retirement savings and investment in 2008, not 2009. Are members of the House forecasting that 2009 will be worst than 2008, such that most investment will lose another 40%, 50% or more? What kind of wisdom motivated the members of the House to push the relief all the way to 2009? Politics or logic?

Please just think about this for a moment, the rule of RMD based the required distribution on the seniors' life expectance and the value of their retirement investment at the end of the prior year. For life expectance means how long a senior in his or her 70's , 80's and 90's will live? Well, 5 years, 10 years, you guess it. For 2008, the required distribution base value is the retirement investment value at the end of 2007, way before the occurrence of 2008 economic tsunami. After loosing 40%, 50% of your retirement and life time savings, you are required to withdraw by selling another 20% or 30% of your retirement at this totally distress market and pay income tax on it. Are you crazy? If you failed to do so, you will be punished by a fine equal to half of what was required to sell and withdraw. If this is not a one-two-punch of the worst kind? What is this?

What in the world that the members of the Democrat controlled House are thinking? During their campaign ended just a month ago, most of the Democrats and the current President Elect were crying for the “people” of the “main” street. They almost swear on their mothers’ graves that if they were elected they will take good care of the “people” of the “main” street. Are the seniors in their 70’s, 80’s and 90’s not part of the “people”? Are they not part of the “main” street? One must wonder what was in the minds of Nancy Pelosi and Charles Rangel when they ignored the pain and suffering of all the seniors in 2008. The members of the House and the President Elect must think that the seniors in their 70’s, 80’s and 90’s are **not** the “people”. They must be thinking that the seniors are outcasts whom could be sacrificed for the advancement of their political causes. To all these questions, I am sure you will have your own answers.

If you like to discuss this further, please give us a call at 415-381-0681, or visit our web site “**www.chochan.com**”.

Sincerely,

Cho F. Chan CPA, Inc.