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PROTECTING YOUR RETIREMENT SAVINGS

BRENTWOOD, Tenn. – Problems in the stock market have affected virtually every sector of the economy, but the impact on retirement accounts has been the most worrisome for many people. That's not surprising, since retirement accounts have lost somewhere in the neighborhood of \$2 trillion during the last two years due to market declines, according to Congressional Budget Office estimates. Don't despair, however, because there are steps you can take now to protect your remaining savings, according to the Tennessee Society of CPAs.

HEAD TO SAFETY

For many years, investing in stocks or stock mutual funds has seemed like a surefire way to make money and expand savings of any kind, including retirement portfolios. For that reason, many people who are in retirement or within a decade or so of getting there have kept a large portion of their nest eggs invested in the stock market. As a general rule, however, that's not the best investment choice. Stocks are a relatively volatile investment, meaning that their prices can rise or fall a great deal in a short time, something we've certainly seen played out in the stock market during the last year. As a result, CPAs generally advise that it's important to reallocate your assets by putting more of your money into fixed investments, such as bonds or money market mutual funds, as you near retirement age. That way, you protect yourself against the kind of sudden losses that can occur when the stock market goes sour.

CONSIDER SKIPPING YOUR DISTRIBUTION

Tax rules require that you begin taking required minimum distributions from your retirement accounts by April 1 after the year in which you turn 70½. For retirees whose

retirement savings are invested in the stock market, that means that, in order to get the distribution, they will have to sell stocks or cash out of stock mutual funds that may have declined significantly in value during the past year. Once those losing investments are sold, the retirees have no chance to recoup their losses on them.

A new law passed late last year offers some relief. Under the Worker, Retiree and Employer Recovery Act of 2008, you do not have to take the required minimum distribution from most retirement accounts in 2009. It applies not only to 401(k) and 403(b) accounts, but also to traditional individual retirement accounts, among others. In other words, you will not be forced to take required distributions on those losing investments.

The new law is one of many issues to consider in handling distributions from a retirement account. To learn more, you should talk with a trusted financial adviser, such as your local CPA, to be sure you are fully informed about your options.

GET MORE INFORMATION

You can also get more information about retirement - and on a wide range of other financial issues - from www.360financialliteracy.org, the Web site of the CPA profession's 360 Degrees of Financial Literacy program. The site contains practical details about many important financial topics.

About Money Management

Money Management is a weekly column on personal finance prepared and distributed by the Tennessee Society of Certified Public Accountants (TSCPA) as a part of its financial literacy initiative.

Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.

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