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### MONEY MATTERS

Q - I want to take the minimum distribution at 70 1/2 from my fully taxable 401(K). What divisor do I use to determine the amount to withdraw each year? C. H., Memphis

A - The divisor - the number you divide into the amount in your 401(k) to determine your minimum required withdrawal - depends on your age, said Angela Dacus, administrative manager of First Mercantile Trust Co. You also may include your wife's age, if she is your beneficiary in the calculation, Dacus said.

Actually, the divisor is your **life expectancy**, or the joint **life expectancy** of you and your beneficiary, she said. Because two people are involved with the joint **life expectancy** and wives are often younger than their husbands, the joint life number is likely to be higher than the single **life expectancy** figure, Dacus said. That means using a joint **life expectancy** will create a lower required minimum distribution than single life, she said.

Also, you may recalculate that number each year - another way of reducing the size of the required distribution. If you are retired, you have to take your first payment by April 1 in the year after you turn 70 1/2. You also would have to take your second distribution before the end of that year. You can always take the money before the deadline date.

If you are a 5 percent owner of the company or still employed and not a 5 percent owner, you may defer the minimum distributions until after you retire, Dacus said. Then, you must take your first minimum payment by April 1 of the year after the year you retire.

Q - My parents are married and each has a revocable living trust set up with half their assets in each. If one dies and leaves everything to the other, will the one-time tax exemption of \$600,000-plus be used at that time and not be available when the money is passed to the children? T. H., Memphis

A - Each person who dies this year has a unified federal gift and estate tax exemption of \$650,000 worth of assets, said Barry Blackburn, a lawyer with his own practice in Southaven.

To fully utilize that exemption, you must have the assets in your name only or in a trust and leave it to someone other than your spouse, he said.

If your assets are not in a trust, you may leave up to \$650,000 to someone other than your husband and wife, leave the rest to your spouse and owe no estate tax, Blackburn said.

To accomplish that with a living trust, you need to set up a credit shelter trust within the living trust, he said. That allows you to leave the assets to someone other than your wife - children for example - and allows her to get the benefit from those assets during her lifetime. Because the assets themselves bypass her, your estate is not taxed on \$650,000 worth of assets in the credit shelter trust, Blackburn said.