

Unforgettable Birthdays

Birthdays may seem less important as you grow older. They may not offer the impact of watershed moments, such as getting a driver's license at 16 and voting at 18. But beginning at age 59, there are several key birthdays that can affect your tax situation, health-care eligibility, and retirement benefits.

59½ — You can start taking penalty-free withdrawals from IRAs and qualified retirement plans, provided certain conditions are met. Ordinary income taxes generally apply to these distributions. (Withdrawals taken prior to age 59½ are subject to a 10% federal income tax penalty.)

62 — You are eligible to start collecting Social Security benefits, although your benefit will be reduced by up to 30%. To receive full benefits, you must wait until “full retirement age,” which ranges from 65 to 67, depending on the year you were born.

65 — You are eligible to enroll in Medicare. Medicare Part A Hospital Insurance benefits are automatic for those eligible for Social Security. Part B Medical Insurance benefits are voluntary and have a monthly premium. To obtain coverage at the earliest possible date, you should generally enroll about two to three months before turning 65.¹

70½ — You must start taking minimum distributions from most tax-deferred retirement plans or face a 50% penalty on the amount that should have been withdrawn. Annual required minimum distributions are calculated according to life expectancies determined by the federal government.

1) *Medicare & You 2010*, U.S. Department of Health and Human Services

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