



Are Retirees Getting a Fair Shake?

To add insult to injury, the federal government requires retirees to deplete their retirement savings by forcing a mandatory withdrawal from qualified retirement accounts. This "RMD" as it is called, can short-circuit the standard of living for retirees over 70 who could have another 20-25 years to live. The purpose of this rule is to squeeze retirees just to get a few bucks in tax payments. For those desiring a higher standard of living in retirement, the tax payment will be at the maximum income tax rate for that retiree. And if one of these elders happens to make a booboo and not take out the required amount for that year, the tax penalty is a whopping 50% of that RMD! While retirement savings through qualified plans allow individuals to deduct that contribution from taxable income, the feds get their pound of flesh when future withdrawals are taxed at the ordinary income rate, ignoring any capital gains in the account.

To make matters worse, for anyone who works for a living, forced contributions to Social Security are taxed once in the year contributions are made (you can't deduct your contributions from your tax return) and then again upon withdrawal in retirement. Once you reach the age of 71, you are required to take withdrawals based on a government formula that also requires you to pay some tax on that distribution. So, there is no shortage of tax payments from retirees who are trying to survive in a low interest rate environment.

For politicians who continually remind us that Social Security is going bankrupt in a few years, maybe they should consider reinvesting the taxes paid on Social Security distributions back into the System to extend its life rather than spend that money on some frivolous endeavor. To make Social Security even more secure the Congress should mandate that the required minimum distributions from traditional retirement plans be used to sustain the Social Security trust fund.