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Special Retirement Rules for Hurricane Sandy Victims

Investors can tap their retirement accounts to pay for storm damage

By EMILY BRANDON

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Victims of Hurricane Sandy will be allowed to tap their retirement accounts without the usual restrictions to help with storm-related costs, due to relaxed IRS rules. Retired people in areas where the storm hit will also get additional time to select a new Medicare plan for 2013. Here's a look at some of the retirement rule changes that apply to Hurricane Sandy survivors:

401(k) hardship distributions. Victims of Hurricane Sandy may be allowed to take 401(k), 403(b), 457(b), and Thrift Savings Plan hardship distributions to help cope with the costs of storm damage. Retirement plans are now allowed to fast-track hardship distributions for employees and their family members who live or work in the disaster area. A person who lives outside the disaster area can also take out a retirement-plan hardship distribution to assist a son, daughter, parent, grandparent, or other dependent who lived or worked in the disaster area.

These Sandy-related hardship withdrawals must be made by Feb. 1, 2013. Also, the usual six-month ban on new 401(contributions after a hardship distribution will not apply to people who take Sandy-related withdrawals. However, early 401(k) plans may come with significant costs. "The 401(k) is really money you should not touch unless you absolutely Lauren Locker, a certified financial planner for Locker Financial Services in Little Falls, N.J. "Look into whatever your o always leave this as a last resort." Regular income tax will still be due on these hardship distributions. And, for people 10 percent early withdrawal penalty also will be enforced. "You need to make sure you put enough aside to pay the ta the hardship withdrawal," says Robert Lickwar, a certified public accountant and partner at Del Conte, Hyde, Annello & Farmington, Conn.

[Read: Year-End Retirement Planning Tips.]

401(k) loans. Retirement savers will also be able to take out 401(k) loans to cope with storm-related costs up to limi retirement plan. "If you need to tap your retirement account, it's better if you can do it via a loan because the loan wil yourself back plus interest," says Lickwar. Generally, an account owner may borrow up to 50 percent of his or her vest up to a maximum of $50,000. Retirement plan loan proceeds are typically tax-free if they are repaid within five years. than a distribution," says Dennis O'Brien, a certified financial planner for Coastal Financial Advisors in Farmingdale, N. "If you take the loan and are unable to pay it back, then it becomes a distribution later on."

[Read: 401(k) and IRA Changes Coming in 2013.]

Extended Medicare enrollment period. The 2013 Medicare open enrollment period ends on Dec. 7, 2012. However, by Hurricane Sandy who are unable to make a plan selection by then will be allowed to enroll in health and prescriptio 2013 after that date by calling 1-800-MEDICARE (1-800-633-4227). Retirees will generally be enrolled in their new pl first of the month after they make any changes.

Social Security payments. Retirees who didn't receive a scheduled payment from Social Security due to the storm ca
Security office and request an immediate payment.

[Read: 12 Ways to Increase Your Social Security Payments.]

More time to file tax returns. Taxpayers in areas of Connecticut, New Jersey, New York, and Rhode Island who were
storm will be able to postpone some of their tax filing and payment deadlines. Affected individuals and businesses have
to file their fourth-quarter individual estimated tax payment and payroll and excise tax returns and the accompanying
are normally due on Jan. 15, 2013, Oct. 31, 2012, and Jan. 31, 2013 respectively. The IRS will also abate any interest
late-filing penalties that would otherwise apply.

Tags: taxes, Medicare, 401(k), Hurricane Sandy, retirement

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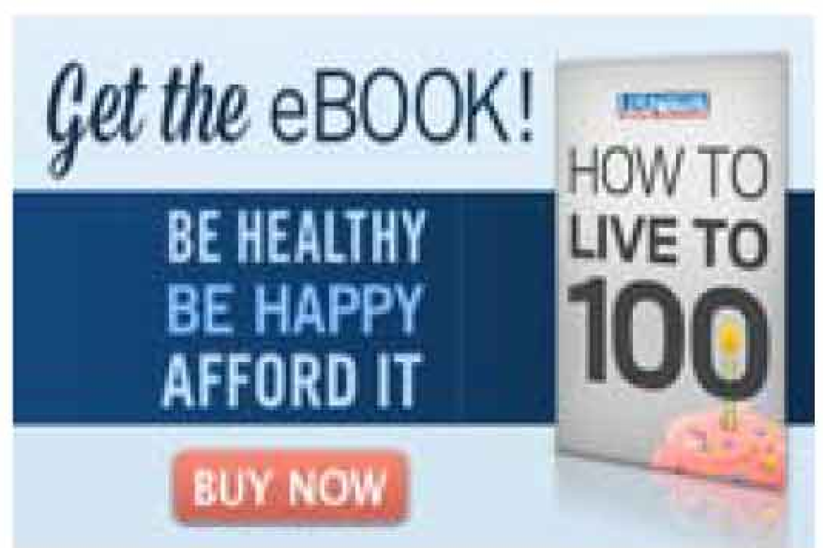

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