YOUR Money AND Family Today

AMERICA's IRA CENTERS™ NEWSLETTER

DECEMBER 2013

SEASONS GREETINGS

As 2013 quickly comes to a close, 'tis the season to gather together. For many people, December tends to represent a time of year that is filled with faith, family, friends and reflection. When you're sitting down around festive tables and celebrating over the next several weeks, remember to take a moment or two to consider the financial security of you and your loved ones. Are you taking full advantage of the Tax Code? Is your retirement distribution plan in order? Will your heirs be taken care of when you are gone? Have you incorporated Multi-Generational planning into your overall plan? Are your documents and beneficiary designation forms up to date? We are here to help you with all of your tax and retirement planning needs.

Happy Holidays to You and Your Family!

The New 3.8% Surtax is Here!

Beginning this year, certain unearned income will be subject to the new 3.8% surtax. Known as the "Unearned Income Medicare Contribution Tax" or "Net Investment Income Tax," this surtax applies to the lesser of the net investment income or the excess of MAGI over the income threshold. The applicable thresholds are $250,000 for joint filers and surviving spouses, $125,000 for a married individual filing separately and $200,000 in any other case.

Here are some examples to help illustrate how this new law can be applied to high income individuals with passive income:

- Stan and Joanne are a married couple who received $30,000 in dividends and their MAGI is $275,000. The surtax will apply to $25,000, not the $30,000 of investment income. Why? Because the 3.8% applies to the lesser of the amount exceeding the MAGI threshold or the amount of investment income and $25,000 is less than $30,000.

- Charlie is single and sold securities that produced a profit of $40,000. His MAGI is $350,000. He will be subject to the 3.8% surtax on the $40,000 investment income because $40,000 is less than $150,000 (the difference between $200,000 threshold and his $350,000 MAGI).

- Bill and Bunny are married with a MAGI of $275,000. Their only source of income is from a vacation home they purchased 10 years ago and they rent it out on a monthly basis. In this case, the 3.8% surtax will be applied to $25,000 because that is the amount that exceeds the $250,000 high income threshold.

Remember, the 3.8% surtax is designed to target passive income on things like vacation homes and investment properties owned by high income individuals who exceed the threshold. The reality is, most Americans will not be adversely impacted by this 3.8% surtax. However, for those who will or expect to be burdened with this new tax law, your personal advisors can work with

CONTINUED ON PAGE 2

AMERICA'S IRA CENTERS™
America's #1 Provider of Retirement Distribution Strategies℠

CONTINUED FROM PAGE 1 ▸

you to develop strategies and help minimize this new tax liability.

You may consider strategies such as minimizing your MAGI by starting to do partial conversions of large IRAs to Roth IRAs. Traditional IRAs have required minimum distributions that are treated as ordinary income, increasing your MAGI.

If you are a high income earner who turned 70½ this year but expect to have a much lower MAGI next year, consider delaying your very first RMD from your traditional IRA until next year. For initial RMDs only, an IRA owner may delay his/her first RMD but must take it no later than April 1st of the year following the year (s)he turns 70½. You will still have to take your regular RMD plus your delayed RMD in the same year, so you have to be careful when using this strategy, but it may make sense to use this strategy depending on the details of your personal situation.

Another option you may want to consider is making a qualified charitable distribution this year from your IRA to reduce your MAGI.

If the 3.8% surtax is a concern for you, don't wait to design a strategy to minimize your tax liability. Again, not all strategies will make sense for everyone so it is important to discuss your personal situation with your trusted advisors.

Cost of Living Adjustments for 2014

IRAs	
Contribution Limit	$5,500
Catch-Up Contribution Limit	$1,000
IRA DEDUCTION PHASE OUT STARTING POINT (AGI)	
Joint Returns	$96,000
Single/Head of Household	$60,000
401(k)s, 403(b)s, PROFIT SHARING PLANS	
Annual Compensation	$260,000
Elective Deferrals	$17,500
Catch-Up Contributions	$5,500
Defined Contribution Limits	$52,000

Source: www.irs.gov

Is Your 401(k) Too Expensive?

Many Americans are concerned that they will not have enough money to live on during retirement. Is the cost of your 401(k) plan partially to blame? Most plans have fees of some kind as, naturally, there will be costs associated with managing, maintaining and administering a 401(k) plan, but not all plans come with reasonable costs. A few years ago, even Vanguard founder John Bogle stated in a PBS interview that plan costs can shrink a 401(k).

What can you do about a high cost 401(k)? If you still have your 401(k) with a former employer, you have the option of rolling over that 401(k) to an IRA. If you discover your 401(k) plan is too expensive you can also look into opting out of your current employer's plan and use your money to invest in other retirement vehicles that offer you more advantages including tax advantages. Your Summary Plan Description should have all of the details associated with your 401(k) plan, including costs and administration fees.

Case Study: Gift Giving and the IRS

With the backdrop of a struggling economy, it's no wonder that the IRS is cracking down and scrutinizing transactions on a much larger scale. One of the areas they have been paying closer attention to is the subject of gift tax.

Before going into a recent Tax Court case on this subject, here is some brief background info: Generally, taxable gifts are the total amount of gifts made during the year, less certain deductions. For tax purposes, the amount of the gift is the amount by which the value of the property transferred exceeds the value of consideration received in money or money's worth.

Under the "gross-up rule," when gifts are made within the 3-year period before a person dies, that person's gross estate must be increased by any gift tax paid by the decedent, his/her spouse or his/her estate.

If you make a gift to someone subject to a condition that the recipient pays the resulting gift tax, the amount of the gift may be reduced by the amount of the gift tax because the donor has received consideration for a part of the gift equal to the amount of the applicable gift tax. This is commonly referred to as a "net gift."

Note: Transactions within a family group are usually subject to special scrutiny and there is a presumption that a transfer between family members is a gift for tax purposes.

Recently, the Tax Court rejected an IRS argument in a case involving a net gift. In short, Jean entered into a valid, binding contract with her daughters that included cash and securities in exchange for their promise to pay any estate tax and other costs should Jean die within three years of giving those gifts.

As you may have guessed, Jean died and the IRS argued that the contract and her daughters' promise to pay certain expenses including estate tax resulting from the transaction did not constitute adequate consideration in exchange for the gifts.

The Tax Court disagreed and concluded that the IRS was not entitled to summary judgment because nothing indicated the agreement between Jean and her daughters wasn't bona fide or made at arm's length. The Court stated that in this case the fair market value of Jean's taxable gift may be determined with reference to her daughters' assumption of the potential estate tax liability. The daughters' assumption of potential estate tax liability could be quantified and reduced to a monetary value, a tangible benefit to the estate and could be valid consideration for the contract.

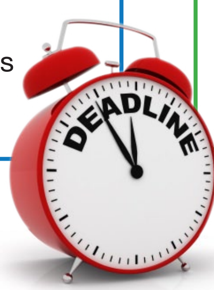
Source: (Steinberg v. C.I.R. (T.C., Sept. 30, 2013, 23865-11) 2013 WL 5447126).

Important Winter Deadlines

DECEMBER

December 31st

- Required Minimum Distributions
- Separate Account Rule
- Qualified Charitable Distribution for 2013
- Distribute 2012 401(k) Excess Contributions and Excess Aggregate Contributions



HAPPY NEW YEAR JANUARY

January 15th

- 2013 Fourth Quarter Contributions for Defined Benefit Plans

January 31st

- File Form 945, Annual Return of Withheld Federal Income Tax
- Trustees and Custodians Issue 1099-Rs

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Using a Multi-Generational Tax Strategy

An IRA is a tax-favored way to save for retirement and is frequently the largest asset Americans have outside of their primary residence. Surprisingly, this large asset is also vulnerable to errors, distribution mistakes and tax inefficiencies. A Multi-Generational IRA (MGIRA) distribution strategy is a tax strategy designed to maximize the tax-deferred growth on your IRA assets while paving the way for your beneficiaries to enjoy tax-deferred growth and stretch RMDs (required minimum distributions) over their individual life expectancies. If an MGIRA strategy is set up correctly, you have the chance to leave your loved ones a legacy rather than a huge tax bill.

How Do You Set Up This Strategy?
Simply convert your IRA or 401(k) into an MGIRA through necessary paperwork. The paperwork is then submitted and accepted by the IRA custodian or financial institution that services your IRA. It's important to note that not all IRA custodians offer an opportunity for an MGIRA strategy. It is crucial to ask your IRA custodian the right questions to ensure that your beneficiaries (your children, grandchildren and perhaps great-grandchildren can take advantage of the tremendous benefits made available to them through the Tax Code.

How Does an MGIRA Strategy Work?
The IRS requires traditional IRA owners to take annual minimum distributions from their IRA whether or not the money is needed. When you pass away and your IRA assets have not been fully distributed, your beneficiaries must continue to withdraw assets from the IRA they inherit from you BUT they also have the incredible opportunity to stretch those required minimum distributions over their individual life expectancies. This allows the undistributed IRA assets to continue to grow on a tax-deferred basis.

Questions?
Your local retirement distribution expert can assist you with all of your MGIRA planning needs. Don't hesitate to make an appointment for a FREE beneficiary and custodial review, it could be one of the most important things you do this winter for you and your family.

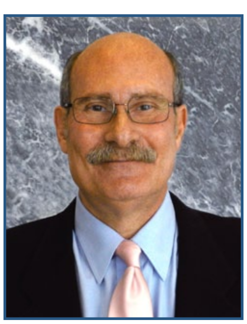
About America's IRA Centers™

America's IRA Centers™

We are the only community-based, one-stop resource specializing in retirement distribution planning and mitigating tax.

Few investors realize that the federal government is the primary beneficiary on their retirement accounts, and that unless they take specific steps to "disinherit" Uncle Sam, they could sacrifice from 35 to 80 percent of their nest egg to taxes.

Let us create a distribution plan for you that protects principal, defers or eliminates tax, and turns your IRA into a supercharged, multi-generational legacy for your family.



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