YOUR Money AND Family Today

AMERICA's IRA CENTERS™ NEWSLETTER

JANUARY 2014

HAPPY NEW YEAR!

Americans survived another year of fiscal ups, downs and government shut downs. Although we cannot avoid certain global obstacles and local squabbles in houses of Congress, we can certainly get our own houses in order and face 2014 with confidence. Rather than focusing on the negative, use the challenges from 2013 to learn what you can do to secure your future and ensure your loved ones are taken care of long after you are gone. There are many opportunities available to you today to help improve your tax, retirement and estate planning strategies… are you taking full advantage of them?

401(k) Rollovers

When you leave your job or retire, what happens to your 401(k)? Your plan administrator probably provided you with a few options. The most popular option is to rollover your 401(k) into an IRA. Before you make a decision, make sure you have fully explored your available options and strategies to maximize the account and your retirement income.

Did you take out any loans from your 401(k)? If so, those outstanding loans must be repaid, typically within less than 60 days. Be sure to check with your plan administrator for the repayment details and deadline, otherwise the loan will be considered a fully taxable distribution and could be subject to a 10% early distribution penalty in certain cases.

Hint: If you do a regular 401(k) rollover, keep in mind that there is a 20% withholding requirement and you will need to make up that difference to complete the rollover within 60 days. However, if you request a **trustee-to-trustee transfer** instead, sometimes called a "direct rollover," you can avoid a 20% withholding.

Leaving an Inheritance to Beneficiaries

There are many options available for leaving assets to beneficiaries. Some people prefer to have a very simple estate plan and give "gifts" outright to individual beneficiaries. Others may prefer to give gifts in stages, for example, gifts given in increments based on achieving a certain age. Leaving a large inheritance outright, however, to beneficiaries can raise concerns under certain conditions.

For example, if you have beneficiaries who are incapable of handling

CONTINUED ON PAGE 2

CONTINUED FROM PAGE 1 ▸

money, you may want to consider incorporating a trust into your estate plan. If you have loved ones with financial woes or bad spending habits, you may want to control their access to significant sums of money through a trust.

When it comes to your retirement assets like an IRA or other retirement plan, a trust is not the most tax efficient strategy. Trust tax rates are the highest in the land. The solution is directly naming individual persons as your retirement plan beneficiaries instead, this will allow those beneficiaries to receive required minimum distributions over their individual life expectancies. The best part is beneficiaries are taxed at their individual income tax rates, not trust rates.

It may make sense to name a trust as your IRA beneficiary when control is far more important than tax efficiency, but be sure that you know what you are doing and have explored all options with your personal advisors.

When deciding to give gifts outright or incorporate a trust into your overall estate plan, make sure that you consult with a qualified estate planning attorney and tax professional who not only explain the potential tax consequences, but also understand the unique nature of retirement assets.

You can leave your heirs with both great memories and the most tax advantageous estate plan.

2014 IRS Individual v. Trust Income Tax Rates

INDIVIDUALS			
Tax Bracket	Single	Married Filing Jointly	Head of Household
10%	$0 - $9,075	$0 - $18,150	$0 - $12,950
15%	$9,076 - $36,900	$18,151 - $73,800	$12,951 - $49,400
25%	$36,901 - $89,350	$73,801 - $148,850	$49,401 - $127,550
28%	$89,351 - $186,350	$148,851 - $226,850	$127,551 - $206,600
33%	$186,351 - $405,100	$226,851 - $405,100	$206,601 - $405,100
35%	$405,101 - $406,750	$405,101 - $457,600	$405,101 - $432,200
39.6%	$406,751+	$457,601+	$432,201+

ESTATES AND TRUSTS	
Tax Liability	Range
15%	$0 - $2,500
$367.50 + 25% of the excess	$2,501 - $5,800
$1,180 + 28% of the excess	$5,801 - $8,900
$2,034 + 33% of the excess	$8,901 - $12,150
$3,090 + 39.6% of the excess	$12,150+

Overview: RMD Rules

If you have a qualified retirement plan, you generally need to start taking required minimum distributions (RMDs) no later than April 1st of the year following the year you turn 70½. This is your required beginning date or RBD. RMDs are taxed at the recipient's ordinary income tax rate.

Roth IRAs

If you own a Roth IRA, one of the benefits is that you do not have required RMDs. You may withdraw any amount any time or simply leave your Roth IRA funds alone and allow them to grow tax-free. This privilege only applies to Roth IRA owners, it is not available to those who inherit a Roth IRA.

Other IRAs and Qualified Retirement Plans

If you own a traditional IRA, 401(k) or other qualified retirement plan, you are subject to RMDs after you turn 70½. RMDs are calculated by taking the December 31st balance of your IRA (from the prior year) and dividing it by your life expectancy factor using the Life Expectancy Tables found in IRS Publication 590. This calculation will determine your RMD. Of course, you may always withdraw more than that amount, an RMD is just the *minimum* you must withdraw. Warning: If you fail to take your RMD on time, the penalty is 50%!

CONTINUED ON PAGE 3 ▸

CONTINUED FROM PAGE 2 ▸

IRA Beneficiaries
If you are a non-spouse beneficiary, you must begin taking RMDs from the inherited account no later than December 31st of the year following the year of the owner's death.

If you have inherited an IRA from your spouse, you have more options than a non-spouse beneficiary and may even elect to treat the inherited IRA as your own.

Year of Death RMD
If an IRA owner has already begun taking RMDs but passes away before taking his/her RMD for that year, it is up to the beneficiary to take it. This means that the beneficiary must take the decedent's RMD no later than December 31st of the year of death to avoid penalties.

50% Penalty
If you have an IRA, make sure that you always take your RMD by December 31st each year. The penalty for a missed RMD is severe. The IRS imposes a penalty in the form of a 50% excise tax on the undistributed amount. For example, if your RMD is $30,000, the penalty for failing to take it on time is $15,000!

This penalty also applies to IRA beneficiaries, even if the IRA is a Roth IRA. A beneficiary who fails to take at least the RMD amount from his/her inherited IRA each year will be subject to the 50% penalty.

Exception: One exception to this rule is when the IRA owner dies before his/her required beginning date and the 5 year distribution rule applies. Under the 5 year distribution rule, a beneficiary can take the entire IRA balance in a lump sum or over increments as long as the IRA is fully distributed within 5 years.

Still Working Exception
Certain employer retirement plans, such as 401(k)s, may have a "still working exception" for their employees who reach 70½ but are still actively working for that employer. The rule is, as long as the employee doesn't own more than 5% of the company, an employee who is over 70½ but is still working for the company, may elect to delay his/her RBD up to April 1st of the year following the year that employee retires. This assumes the plan permits a still working exception. Keep in mind that employer plans are not required to offer a still working exception - it's an option they *may* offer.

Important Note: There is no "still working exception" for IRAs, Simple IRAs or SEP IRAs.

For additional information about RMD rules, consult your retirement distribution expert.

Correcting Missed RMDs

Did you know you are required to take RMDs? Did you know about it, but couldn't take your RMD last year? Have you missed your RMDs for more than one year? If this sounds familiar, not all hope is lost. You may qualify for a penalty waiver from the IRS under certain conditions.

Request a Waiver from the IRS
It is important to understand that the IRS determines whether or not a waiver will be granted. Once you discover an RMD error, you take immediate steps to correct the error. A waiver will only be granted for "reasonable" errors.

50% Penalty
As discussed before, a missed RMD carries the burden of a 50% penalty on the undistributed amount. If you are requesting a waiver, you do not pay the 50% penalty up front. After the IRS has made its determination, you will be notified whether you owe a penalty.

CONTINUED ON PAGE 4 ▸

YOUR Money AND Family Today
AMERICA'S IRA CENTERS™ NEWSLETTER

CONTINUED FROM PAGE 3

Getting the Assistance You Need
A waiver request can be a daunting task. If you need to request a waiver but are unsure how, your local retirement distribution expert can help you. This is a free service so don't hesitate to ask for help when you need it.

Make sure you are never in the position of having to request a waiver again. How? Simple, make sure your IRA custodian provides you with an annual RMD notice and offers to calculate your RMD for you. If your current IRA custodian will not provide such services, you can elect to relocate your IRA to a custodian that will, there are many IRA custodians out there that look out for their customers and help them avoid RMD errors.

IRA Assets and Charitable Giving

Charitable giving is always encouraged and will be TAX-FREE if the receiving organization has tax exempt status! Charitable deductions for estate tax may also be available—when a decedent leaves property to a qualifying charity, it is deductible from the gross estate.

For IRA owners, the American Taxpayer Relief Act of 2012 extended the Qualified Charitable Distribution (QCD) provision through 2013. Under this provision, the IRS allowed individual IRA owners over the age of 70½ to exclude from gross income up to $100,000 that is paid directly from their individual retirement accounts (excluding SEP or SIMPLE IRAs) to a qualified charity. The excluded amount could be used to satisfy the RMD (required minimum distribution) that must otherwise be taken from the IRA and reported as income.

Will Congress extend this provision through 2014? As of the date of this article, the answer is unknown but we will provide any updated information as it develops.

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.

COMPLIMENTS OF:

Marc H. Weiss

Archer Weiss Insurance & Financial Services, Inc.
21515 Vanowen Street, Suite 200
Canoga Park, CA 91303
(800) 831-2901 TOLL FREE
(818) 610-8560 PHONE
(818) 888-1312 FAX

DISCLAIMER:

This newsletter is in no way intended to provide tax, legal, accounting, financial or professional advice. Readers are urged to consult with their own independent professional advisors regarding their particular facts and circumstances.

This information is current and timely as of the time of publication, but may eventually be rendered outdated or incorrect by new legislation or official rulings. The editors, authors and publisher shall not have any liability to any person or entity with respect to any loss or damage caused or alleged to be caused by reliance on the information contained in this newsletter.

No part of this publication may be reproduced in whole or in part without the prior written consent of America's IRA Centers™.