YOUR Money AND Family Today

AMERICA's IRA CENTERS™ NEWSLETTER

OCTOBER 2013

TAXES ARE ON SALE!

Do you believe taxes will be lower or higher in the near future? If you are like most Americans, you believe taxes will be much higher in the future. The good news is that taxes are on sale right now in this country. What does that mean? If you look at the historic data, taxes in the U.S. hit around 96% in the 1940's. Although it may not seem like it, taxes right now are very low with the average **effective** income tax rate hovering around 11%. Note that the statistic refers to the **effective** income tax rate, not marginal income tax bracket, there is a big difference. Your effective income tax rate is the net income tax rate you actually pay. If you want to know what your personal effective income tax rate is but aren't sure how to do the math, your CPA can help you with the calculation.

When Does Converting to a Roth IRA Make Sense?

With taxes being "on sale" now, there are several planning options you may want to explore to take advantage of the current low tax rates. For example, if you have an IRA, 401(k) or other qualified retirement plan, converting those accounts into a Roth IRA may be right for you. If you believe taxes will be much higher for you later, you can eliminate a future tax spike during retirement by converting your current tax-infested funds into future tax-free distributions.

A Roth IRA can be a great retirement planning tool but it is imperative that you familiarize yourself with Roth rules and nuances. Before converting, be sure to consult with your retirement distribution planning expert and accountant to determine if a Roth makes sense for you and your family.

What Is the Three Year Rule?

Section 2035 of the Internal Revenue Code says that certain assets are to be included in the gross estate if the owner transferred or gifted those assets within three years of his or her death. This will naturally increase the owner's gross estate value and estate taxes upon death.

This rule was intended to prevent taxpayers from reducing or avoiding federal estate tax liability once they became aware that death was imminent by intentionally (and gratuitously) transferring ownership interest of certain assets to others. This rule primarily applies to assets like certain insurance policies, transfers effective at death, assets in which the owner retains a life interest and revocable transfers.

Source: I.R.C. Sections 2035, 2036, 2037, 2038 and 2042.

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

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Tax-Free Retirement

Question: Is that even possible?

Answer: YES

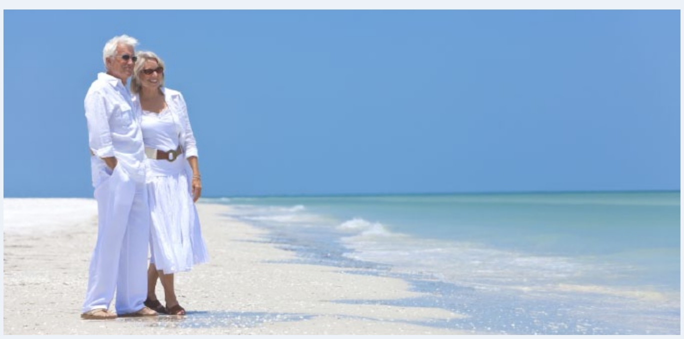
Question: What is the big secret to tax-free retirement, is it some new product or unique investment?

Answer: NO

Most people are already familiar with typical taxable investment plans that include tax-deferred assets such as stocks, mutual funds, bonds, traditional IRAs, 401(k)s and 403(b)s. But are you looking for a tax-free retirement plan?

You can enjoy a tax-free retirement by incorporating tax-free investments into your existing retirement plan. Your retirement distribution expert can help you determine what will work best for you in your personal situation. Consider incorporating assets that generate tax-free wealth but the key is to identify which tax-free strategies are suitable for you.

What types of assets can help you create a tax-free retirement? Call your retirement distribution expert and develop your tax-free retirement strategy today!

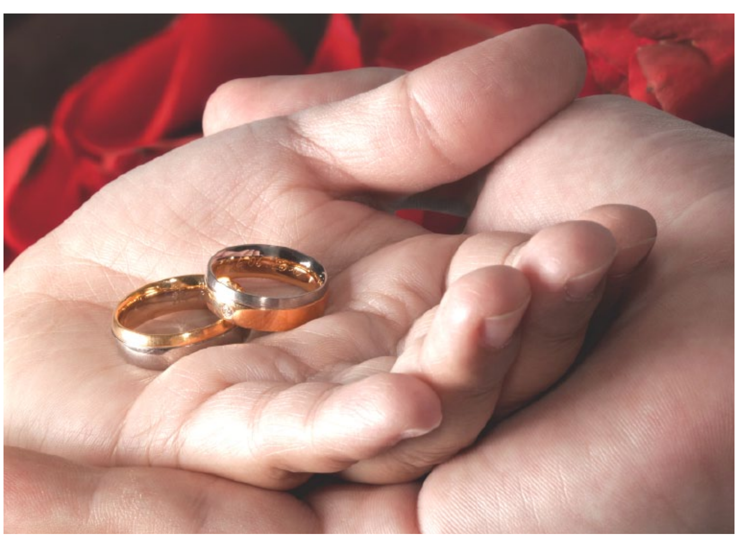


IRA Contribution Basics

Are you eligible to contribute to a traditional IRA or Roth IRA for 2013? Here is a simple checklist with important IRA contribution information:

- ✔ **Limits**
  The combined IRA contribution limit for all of your IRAs for 2013 is $5,500 or $6,500 if you are 50 or older.
- ✔ **Deadline**
  You have until April 15, 2014 to make your 2013 IRA contribution.
- ✔ **Excess IRA Contributions**
  Excess contributions are taxed at 6% per year as long as the excess amounts remain in the IRA.
- ✔ **Non-Deductible Contributions**
  File Form 8606 with your tax return to let the IRS know that you made a non-deductible IRA contribution - it also helps you keep track for your personal records.

***Documentation Tip:**
Ensure your contribution is correctly applied by your IRA custodian. If you contribute to your IRA via check, be sure to write the tax year on the check and, if you have more than one account with the same custodian, include your account number as well.



Update: New Federal Tax Ruling

Legal same-sex marriages will be recognized for tax purposes. In Revenue Ruling 2013-17, the U.S. Department of the Treasury and the Internal Revenue Service ruled that same-sex married couples will be treated as married, just like opposite-sex couples, for federal tax purposes. This ruling applies regardless of whether the couple lives in a jurisdiction that recognizes same-sex marriage or a jurisdiction that does not recognize same-sex marriage.

The key is that the couple must have entered into a legal marriage. This ruling does not apply to civil unions, domestic partnerships or similar relationships.

Source: www.irs.gov, Rev. Rul. 2013-17.

Inherited 401(k)s… Are You Stuck With a 5-Year Payout?

Did you, or do you plan to, inherit a 401(k) from someone other than a spouse?

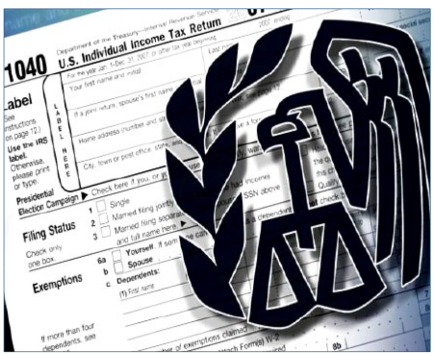
Many 401(k) plans have limited distribution options for non-spouse beneficiaries. Some plans only offer a 5-year payout option or, in some cases, a single lump sum distribution. Why would such restrictions be problematic? This type of restriction eliminates the opportunity for the non-spouse beneficiary to stretch required minimum distributions (RMDs) over his/her individual life expectancy while the assets continue to grow on a tax-deferred basis.

If you find yourself in a similar situation, not all hope is lost. A non-spouse beneficiary may still be able to stretch RMDs over his/her life expectancy as long as the inherited 401(k) is directly transferred (often referred to as a trustee-to-trustee transfer or ***direct*** rollover) to an inherited IRA that permits life expectancy distributions by the IRS deadline.

The deadline is December 31st of the year following the year the 401(k) participant dies.

If you inherit an IRA, 401(k) or other retirement plan, your local retirement distribution expert can help you identify and understand the options available in your particular situation and answer any distribution questions you may have.

Tax Relief for Colorado Storm Victims



Due to the severe storm that ravaged parts of Colorado, the IRS announced tax relief for certain taxpayers in the affected areas. So far, the counties included are Adams, Arapahoe, Boulder, Clear Creek, El Paso, Jefferson, Larimer, Logan and Weld. Other areas may be added as additional damage assessments are made by FEMA.

According to a recent IRS news release, the tax relief postpones certain tax filing and payment deadlines to December 2, 2013. It also includes corporations and businesses that previously obtained an extension until September 16, 2013 to file their 2012 returns, along with individuals and businesses that received a similar extension, until October 15th. For more detailed information and updates, please visit the IRS website.

Keep in mind that the IRS automatically applies filing and payment relief to taxpayers residing in the affected areas. For those taxpayers who reside or have a business located <u>outside</u> the covered disaster areas, they must call the IRS disaster hotline at (866) 562-5227 to request this tax relief.

Review Your Estate Plan

Is your will up to date? What about your trust? Do they reflect your personal wishes for the distribution of your assets? Since not all assets pass through your will or trust, have you reviewed your beneficiary designation forms lately? Have the personal or financial circumstances of your beneficiaries significantly changed this year? Have you considered a gifting program to move assets from your estate to those you wish to enrich? Have you reviewed your estate plan in light of changing estate tax laws or changes in your personal financial position? It's important to regularly meet with your financial advisors and tax consultants to review these items and make sure your estate plan is up to date. It only takes moments to ensure your assets will flow to your loved ones the way you want.

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Important Deadlines Are Approaching

OCTOBER

October 1st

- Deadline to establish a SIMPLE IRA Plan for 2013.

October 15th

- Deadline to recharacterize your excess or unwanted 2012 IRA contributions.
- Deadline to correct any excess 2012 Health Savings Account contributions.

October 31st

- Deadline to submit a copy of all qualified trust documentation to the IRA trustee, custodian or administrator when a trust is the beneficiary of an inherited IRA.

NOVEMBER

November 2nd

- Deadline for employers to submit their SIMPLE IRA plan notification to maintain a plan for 2014.

DECEMBER

December 31st

- Deadline for taking a regular RMD for 2013 (this applies to both IRA owners and IRA beneficiaries).
- Deadline for multiple IRA beneficiaries to take advantage of the separate account rule.

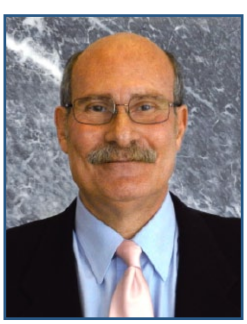
About America's IRA Centers™

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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