YOUR Money AND Family Today

AMERICA's TAX SOLUTIONS™ NEWSLETTER

December 2014

HAPPY HOLIDAYS!

Should You Trust Your Custodian?

Custodians are people too, well, at least people run the day-to-day operations for the financial entity and they make mistakes just like everyone else. It's year-end review time, so check your financial statements and pay specific attention to detail. You want to be sure all transactions and activity have been properly recorded. This review will allow you to catch mistakes now and help you avoid the costly corrections and/or penalties later.

If you wait until the last minute to address these types of issues, you run the risk of overlooking something that could result in tax penalties and perhaps irreversible error. You should also check with your custodian regarding their own year-end deadlines. For example, your IRA custodian may require you to submit certain paperwork such as RMD requests **earlier** than December 31st for purposes of processing all of the year-end requests they receive by the IRS deadline.

Disclaiming an Inherited IRA

There are several reasons why someone may choose to disclaim an IRA. However, once that decision is made, it is important for the disclaiming beneficiary to avoid common errors. In short, a disclaimer is a legal document and formal refusal of an inheritance by a beneficiary. Disclaimer rules apply to all IRA beneficiaries. Beneficiaries are not required to accept an IRA or any portion thereof and may instead choose to disclaim all or a portion of their share.

To have a valid disclaimer, the beneficiary must not have accepted any IRA assets or property. The only exception to this rule is the year of death RMD taken for the deceased owner. All disclaimers must be submitted in writing to the IRA custodian within 9 months of the IRA owner's death. Disclaimers are irreversible, permanent decisions. Some beneficiaries make the mistake of disclaiming an IRA, with the intent to pass on the disclaimed assets to someone else like their child or spouse. Disclaimed IRA assets may only go to the contingent beneficiary or beneficiaries named by the original owner. Disclaiming beneficiaries have zero control over the disclaimed amounts and how they flow.

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2015 Tax Changes That Affect Your Planning Strategy

As you review and update your retirement and estate planning documents, keep the following adjustments in mind as they impact how much you may invest in your retirement next year:

IRAs	
Contribution Limit	$5,500
Catch-up Contribution Limit	$1,000
IRA Deduction Phase Out Starting Point (AGI)	
Joint Returns	$98,000
Single/Head of Household	$61,000
Limitations for 401(k)s, 403(b)s, Profit Sharing Plans	
Annual Compensation	$265,000
Elective Deferrals	$18,000
Catch-Up Contributions – Over 50 (401(k) Plans)	$3,000
Catch-Up Contributions – Over 50 (Other Employer Plans)	$6,000
Defined Contribution Limits	$53,000

Top Rates in 2015	
Estate and Gift Tax Exemption	$5,430,000* (*Increased From $5,340,000)
Estate Tax Rate	39.6%
Individual Income Tax Rate	39.6%
Short-Term Capital Gains Tax Rate	39.6%
Long-Term Capital Gains Tax Rate	20%

Source: www.irs.gov

Latest Private Letter Ruling

Typically, only a SIMPLE IRA may receive a rollover from another SIMPLE IRA - rollovers are not permitted, for example, from a traditional or Roth IRA to a SIMPLE IRA. SIMPLE IRAs differ from other types of plans and have special rules. However, the IRS recently made an exception to this rollover rule and granted a taxpayer relief in Private Letter Ruling 201446036.

The taxpayer in this case erroneously rolled over her traditional IRA to her SIMPLE IRA via trustee-to-trustee transfer. In fact, her personal advisors suggested she consolidate her IRAs to more easily maintain her accounts. Unfortunately, that advice was wrong and typically results in a disqualification of the IRA. Neither of the IRA custodians alerted the taxpayer to this rollover error and both custodians completed their respective portion of the rollover transaction, as instructed by the taxpayer.

After the mistake was discovered, the taxpayer applied for a Private Letter Ruling. Fortunately, the IRS allowed the taxpayer to recharacterize the rollover as a contribution to a traditional IRA. In light of the fact that she relied upon professional advice, she acted in a diligent manner and immediately took steps to correct the error, the IRS determined that the government would not be prejudiced by granting relief in this particular case.

The average advisor does not specialize in retirement distribution planning so, sadly, this case isn't all that surprising. This was an expensive and time-consuming process for the taxpayer but also serves as a learning moment for others. Rollover mistakes are quite common but they can be easily avoided as long as you have the right people around you. It is crucial that you discuss rollover strategies and other retirement plan related matters with a qualified retirement distribution professional.

Keeping Your Money Safe in 2015

What is an FIA? An FIA is a Fixed Indexed Annuity. Many people shudder when they hear the word "annuity" and immediately think: "Oh no, I've heard about those annuities and I know how terrible they are!" The reality is that many people are confused as to what an FIA is and what they can do for you and your family. An FIA is a tax-deferred opportunity to enjoy all of the upsides of the market without the risks associated with market volatility. It is essentially an insurance contract designed to capture market gains while deflecting market losses. With an FIA, your money is protected from unexpected downturns in the market.

Key benefits are:

- A guaranteed stream of income for life
- Locked in gains
- No loss of principal
- Liquidity
- Tax-advantaged accumulation
- Crediting options that allow you to choose a crediting strategy

Unlike variable annuities, which are securities investments subject to market volatility and SEC regulation, FIAs are safe insurance products subject to regulation by the insurance commissioners in each of the 50 states. Consumers can also take comfort knowing that only insurance licensed professionals may offer these safe retirement tools. The value proposition of FIAs is that they essentially allow the purchaser to have very limited participation in the market's upside, while avoiding the downside risks associated with the market.

Talk to your retirement distribution professional today to determine whether an FIA is an appropriate option to complement your retirement strategy.

Simplified Year-End Retirement Checklist

With holiday travel and sometimes chaos all around, we need to take a few moments to step back and make sure we have our "reindeer in a row" this holiday season. Here is a brief, simplified year end checklist showing a few basic issues that can cause disastrous results (and harsh penalties) if left unchecked:

- ☑ Have all of your required distributions for 2014 been satisfied?
- ☑ Have your retirement accounts inherited in 2013 been split?
- ☑ Did you conduct a beneficiary review?
- ☑ Are all of your beneficiary forms up to date?
- ☑ Does your IRA/401(k) custodian offer a Multi-Generational strategy for your heirs?
- ☑ Did you comply with all 60-day rollover deadlines?
- ☑ Do you anticipate owing any penalties for IRA errors?
- ☑ Have you checked all of your financial statements for accuracy?
- ☑ Do any distribution or contribution reporting corrections need to be made?
- ☑ Do you have a Social Security plan or benefits filing strategy in place?

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Important Winter Deadlines

DECEMBER

December 31st

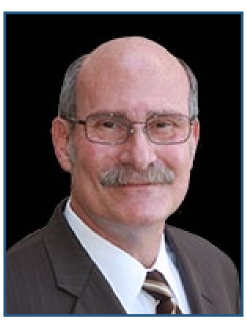
- Required Minimum Distributions
- Separate Account Rule/Account Splitting
- Roth Conversion Fund Transfer
- Distribute 2013 Excess Contributions and Excess Aggregate Contributions

JANUARY

January 15th

- 2014 Fourth Quarter Contributions for Defined Benefit Plans

About America's Tax Solutions™



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