YOUR Money AND Family Today

AMERICA's TAX SOLUTIONS™ NEWSLETTER

SEPTEMBER 2014

EVALUATING YOUR RETIREMENT

It's already September and it's the 2014 home stretch. Now is the time to evaluate or re-evaluate your retirement and financial plans. Did you retire this year? Are you planning to retire next year? Does your retirement distribution plan need to be modified or updated? Did a major life event occur such as a birth, death or marriage? With the holidays quickly approaching, now is the time to do your own retirement evaluation checklist to make sure you don't miss any important planning deadlines that may apply to your situation.

Separate Account Rule

An important part of setting up a Multi-Generational IRA distribution strategy is understanding the separate account rule and ensuring your heirs know what to do.

If you have more than one designated beneficiary for your IRA, each beneficiary may use the separate account rule to create separately titled inherited IRAs so each beneficiary may use his/her individual life expectancy to stretch RMDs. This creates an opportunity for your heirs to enjoy years of tax-deferred growth (or tax-free if Roth IRA).

All designated beneficiaries must be living, breathing human beings with a birthdate. September 30th of the year following the year of the IRA owner's death is the deadline for determining who the designated IRA beneficiaries are. All shares for any non-designated IRA beneficiaries, such as a charity or trust, should be fully distributed before this September 30th deadline to preserve an MGIRA opportunity for the remaining beneficiaries.

Separate accounts must be set up no later than December 31st of the year following the year of the IRA owner's death. Proper titling of the separate accounts is crucial. Each inherited IRA must identify the original owner, identify the beneficiary and it must be clear from the title that it is an inherited IRA. If the separate accounts are not split by the December 31st deadline, the IRA beneficiaries are stuck using the oldest IRA beneficiary's life expectancy.

PLEASE NOTE: The separate account rule is <u>never</u> available to beneficiaries of a trust. Even assuming your trust qualifies as "see-through," at best, all trust beneficiaries will be stuck using the <u>oldest</u> trust beneficiary's life expectancy for purposes of calculating RMDs.

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IRA Contribution Deductibility

Traditional IRA contributions may be deductible but if you (or your spouse, if married) have a workplace retirement plan, being an active participant in that plan may affect your ability to deduct contributions made to your traditional IRA.

The following chart illustrates the IRA deduction phase out thresholds for 2014 if you or your spouse are covered by a workplace retirement plan.

Please keep in mind that *Roth IRA* contributions are NEVER deductible.

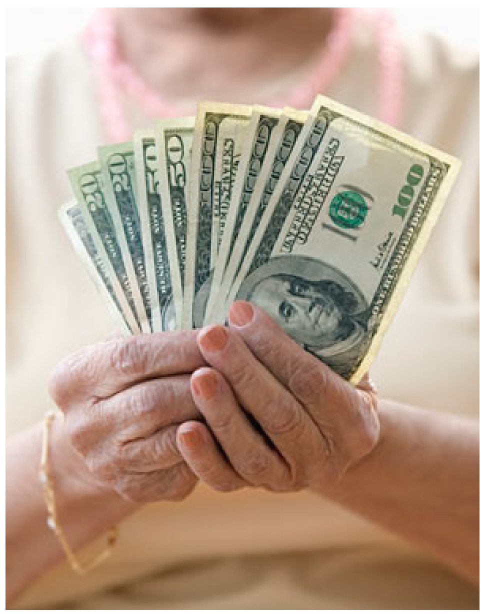
Filing Status	MAGI	Deduction Permitted
Single	$60,000 or less	100%
	$60,000 to $70,000	Partial
	$70,000 or more	None
Married, filing jointly, active participant	$96,000 or less	100%
	$96,000 to $116,000	Partial
	$116,000 or more	None
Married, filing jointly, spouse is an active participant	$181,000 or less	100%
	$181,000 to $191,000	Partial
	$191,000 or more	None
Married, filing separately	Less than $10,000	Partial
	$10,000 or more	None

RMDs

IRAs are incredible opportunities for working Americans to save for retirement on a tax-deferred basis. However, if you have a traditional IRA or have inherited a traditional IRA or Roth IRA, the government doesn't allow the funds to continue to grow tax-deferred forever (or tax-free in the case of a Roth IRA).

Make sure you know the rules surrounding Required Minimum Distributions (RMDs)!

When do RMDs begin?
IRA owners must start taking RMDs at age 70½. The very first RMD must be taken no later than April 1st of the year following the year the owner turns 70½ - this is known as your Required Beginning Date (RBD). After this first RMD, all future RMDs must be taken no later than December 31st each year. Be careful about delaying your first RMD… if you delay taking your first RMD until any date between January and April 1st, you still have to take that year's RMD. To illustrate, assume you turned 70½ in July 2014 and you decide to wait to take your very first RMD until February 2015.



You will still have to take your 2015 RMD by December 31st.

What if you are still working when you turn 70½?
RMDs from IRAs are required even if you are still working. There is no "still working exception" for IRAs.

What if you inherit an IRA?
If you are an IRA beneficiary, RMDs must begin no later than December 31st of the year following the year the IRA passes away even if you inherited a Roth IRA.

What if you have more than one IRA?
You must *calculate* the RMD amount for each IRA *separately*. However, if you have more than one IRA (must be the *same* type), you don't have to take a separate RMD for each. You may aggregate and withdraw the entire amount from just one IRA or withdraw a portion from each IRA (of the same type) to satisfy your full RMD for the year.

What if you fail to take an RMD?
Both IRA owners and IRA beneficiaries face a **50% penalty** for failing to take an RMD. You can always withdraw more than the RMD amount if you wish, but make sure you at least withdraw the correct RMD amount each year by the deadline.

SPECIAL NOTE: Roth IRA owners do not have to worry about RMDs, one of the many perks of a Roth. However, Roth IRA *beneficiaries* must follow the same RMD rules that apply to traditional IRAs.

IRA Beneficiaries

In order to design and execute a Multi-Generational strategy, it is vital that you make sure your beneficiary designations are in order. Is it really that important to review beneficiary designations? YES! Surprisingly, most people have beneficiary designations that are flawed in some way.

Besides simple oversights such as failing to sign and date designation forms, some of the most common errors stem from the failure to update beneficiary designations when a life changing event occurs such as a birth, death, adoption, marriage or divorce.

You should always make an effort to name all the "possible players." What does that mean? Make sure that you not only name primary beneficiaries but you name contingent and tertiary beneficiaries as well. This is important in case one of your beneficiaries predeceases you or an heir wishes to utilize a disclaiming strategy for the benefit of the beneficiary next in line on your designation form. All shares should be in whole percentages and each beneficiary "level" should equal 100%.

Last but not least, after you take the time to make sure all of your beneficiary designation forms have been properly completed and a Multi-Generational IRA strategy has been set up, don't forget to let your beneficiaries in on the plan. Make sure copies with instructions are made available to them as well. If they aren't aware of the incredible opportunity you created for them, beneficiaries could easily make a mistake and destroy the opportunity to enjoy tax-deferred (or tax-free) withdrawals from their inherited IRA over their individual life expectancies.

Your Evaluation Checklist

If you haven't completed or even begun creating your plan for retirement, make sure you don't overlook any critical details such as looming distribution deadlines and beneficiary designation form updates. Below is a brief retirement evaluation checklist to get you thinking about some important planning aspects of your retirement. If you don't know the answers or are unsure, don't hesitate to ask your retirement distribution specialist for help!

- ☑ What types of retirement plans do you have?
- ☑ Do you know the balance(s)?
- ☑ Are your retirement plans Multi-Generational?
- ☑ When do you plan to retire?
- ☑ Are all of your beneficiary designation forms up to date?
- ☑ When did you last update your beneficiary designations?
- ☑ Do you need to take an RMD this year?
- ☑ Have you done an IRA rollover within the past 12 months?
- ☑ Do you have a sustainable stream of income set up for your retirement?

- ☑ What is your backup plan/what would you do if your retirement plan lost 20% – 30% of its value next year?
- ☑ Have you eliminated market risk while preserving the upside of the market in your retirement plans?
- ☑ If you have CDs, are you familiar with CD alternative plans that are equally safe but have greater benefits?

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Important Deadlines Are Approaching

SEPTEMBER

September 30th

- Deadline to determine the designated beneficiaries for an inherited IRA.

NOVEMBER

November 2nd

- Deadline for employers to submit their Simple IRA plan notification to maintain a plan for 2015.

OCTOBER

October 1st

- Deadline to establish a Simple IRA Plan for 2014.

October 15th

- Deadline to recharacterize your excess or unwanted 2013 IRA contributions.
- Deadline to correct any excess 2013 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.

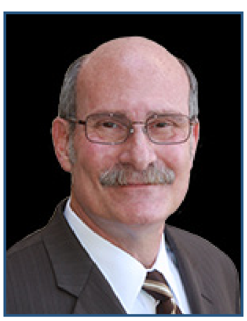
DECEMBER

December 31st

- Deadline for taking a regular RMD for 2014 (this applies to both IRA owners and IRA beneficiaries).
- Deadline for multiple IRA beneficiaries to take advantage of the separate account rule.

Important Dates!

About America's Tax Solutions™



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

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