

IRA Changes and Strategies You Must Know

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Retirement Has Changed, and Will Change Again

- **Changes in laws**
- **Reduced benefits from government, employers**
- **Life expectancy**
- **Baby Boomers retiring**
- **Economic and market upheavals**
- **More support for planning**

Threats to Lifetime Income Security

- **The foundations are crumbling**
- **On your own for saving, medical care**
- **Mis-estimating spending, including inflation**
- **Old investment rules don't work**
- **Longevity**
- **Taxes and tax rates not likely to fall**

Additional Hurdles

- **Zero interest rates**
- **Lower long-term returns**
- **Planning for deflation and inflation**
- **Mental financial mistakes**
- **Scars and lessons of the last 16 years**

Goals Changed for Many

- **Lifetime income security:**
 - **Keep my principal secure**
 - **Pay me income**
 - **Protect me from inflation**
- **Focus more on reducing risk than increasing return**

Keys to Successful Retirement

- **Start with spending**
- **Secure basic expenses**
- **Develop a nest egg spending strategy**
- **The wildcards of medical expenses and long-term care**
- **Estate planning is more than taxes**

IRAs: Not So Simple Anymore

- **IRAs among most valuable assets**
- **Paying the mortgage on your IRA**
- **Stealth taxes**
- **Required minimum distributions**
- **Making it last for you and heirs**
- **Tricks for investments, distributions**

Beware the New IRS Focus

- **Required minimum distributions (RMDs)**
- **Contributions**
- **Investments, combining with business**
- **Aggressive Roth IRA strategies**

The Retiree Tax Attack

- **Taxes on Social Security benefits**
- **Bracket creep**
- **Medicare premium surtax**
- **Alternative minimum tax**
- **Exemption and itemization reductions**
- **Retirement Tax Attack**

The Long-Term Effect of RMDs

- **Take distributions – needed or not**
- **Percentage increases each year:**
 - **3.65% at age 70.5**
 - **4.55% at 76**
 - **5.59% at 81**
 - **8.77% at 90**

Tax Diversification & Tax Bracket Management

- **Increased post-career tax planning options**
- **Can stay in 20% bracket**
- **Avoid the stealth taxes**
- **Reduce required minimum distributions**
- **Be positioned for tax law changes**

Tax Bracket Management

- **Tax deferral now can be the enemy**
- **Likely have a base of inflexible income**
- **Be sure have different types of accounts**
- **Tap tax-advantaged assets/accounts as necessary to keep AGI low**
- **Manage tax bracket annually**

Required Distributions

- **Take first RMD by 12/31, not April 1**
- **Use previous 12/31 values and Pub 590**
- **One RMD value for all IRAs**
- **Withdraw in any IRA combination**
- **Doesn't have to be cash**
- **Any schedule: late vs. early**
- **Different rules for 401(k)s**

IRA Charitable Exclusion

- **Made permanent by PATH Act of 2015**
- **Rules:**
 - **Must be age 70½ or older**
 - **\$100,000 annual limit per taxpayer**
 - **Direct from trustee to charity**
- **Counts as RMD**
- **Best deal for many givers**

Convert or Reduce Traditional IRAS

- **Avoid the RMD waterfall and stealth taxes it triggers**
- **Taxes now to avoid higher taxes later**
- **Roths not only for the young**
- **Can do in stages; can reverse**
- **Can give heirs greater after-tax wealth**

Conversion Factors to Consider

- **Future tax rate vs. current rate**
- **Rate of return**
- **Accumulation period post conversion**
- **Funding for taxes**
- **All taxes in year of conversion**

Add Longevity Annuities (QLACs)

- **New IRS rule reduces RMDs**
- **Lesser of 25% of account or \$125,000**
- **Aggregate IRAs to determine limits**
- **No variable annuities**

Create a Family Bank

- **Take out cash value life insurance**
- **Use IRA to pay lump sum premium or RMDs to pay annual premiums**
- **Have access to cash value for life**
- **Heirs receive policy benefit**

IRAs & Charity Strategy #1

- **Take large IRA distribution or convert to a Roth IRA**
- **Donate to charitable remainder trust from part of IRA distribution or other assets**
- **Receive tax deduction for contribution**
- **Receive lifetime income from trust**

IRAs & Charity Strategy #2

- **Name spouse as primary beneficiary, charity as contingent beneficiary**
- **Take out life insurance policy, put in trust. Children are beneficiaries.**
- **Take lifetime distributions/RMDs; give to trust for premiums**

After-Tax 401(k)

- **Use recent IRS rule**
- **Make additional, after-tax deferrals**
- **Rollover directly to Roth IRA**
- **Rollover rest of 401(k) at same time**
- **Plan must allow**

Backdoor Roth IRAs

- **Make after-tax contribution to traditional IRA**
- **Convert to Roth IRA**
- **No tax on conversion if don't have other traditional IRAs**
- **Now have Roth IRA**
- **Can do annually**

Review Beneficiaries

- **Avoid the ultimate disaster scenario**
- **Goals:**
 - **Maximize after-tax amount for you and loved ones**
 - **Put in hands of those you want to have it**
 - **Make it last several generations**

Traditional IRAs & Charitable Gifts

- **Best way to make post-mortem charitable gifts**
 - **Charity won't owe taxes on distributions**
 - **Heirs receive higher basis, full value if inherit other assets**

Tips for a Stretch IRA

- **Don't name estate or fail to name individual beneficiaries**
- **Avoid trusts?**
- **Primary and contingent beneficiaries**
- **Consider naming charity as last contingent beneficiary**
- **Consider custom beneficiary designation form**

Beneficiaries Should Know the Rules

- **Can't roll over to existing personal IRA**
- **IRA must be retitled properly**
- **Special rules for rollovers to new custodian**
- **Designated Beneficiary must be named by Sept. 30 of year following owner's passing**
- **RMIDs must begin by Dec. 31 of year following owner's passing**
- **IRA with multiple beneficiaries can be split**

More Rules for Beneficiaries

- **RMDs differ for IRAs and 401(k)s**
- **Rules are different when spouse inherits**
- **Rollovers must be trustee-to-trustee**
- **What about the next generation?**

Note: None of this matters if beneficiaries just want to spend the IRA.

Trusts as IRA Beneficiaries

- **Trusts have many benefits**
- **Were discouraged for IRAs: Small missteps are very expensive**
- **Supreme Court decision on protection for inherited IRAs changes things**

Trusts as IRA Beneficiaries

- **Must be a “see-through” or conduit trust:**
 - **All actual & potential beneficiaries of trust must be individuals**
 - **No trusts, partnerships, charity, etc.**
 - **Other details**
- **Highest tax rates on accumulations**
- **Need experienced estate planner**

IRA Investing: Non-Traditional Assets

- **Avoid prohibited assets**
- **Caution with MLPs**
- **Real estate is possible with caution**
- **Consider forming an LLC and investing through it**

Tax-Wise Investing

- **Aim for right assets in right accounts**
- **IRA converts tax-advantaged income to ordinary income**
- **For IRAs: REITs, bonds, short-term capital gains**
- **Possible exception: long-term capital gains with very high returns**