



BOB CARLSON'S

Retirement Watch

IRA Changes and Strategies You Must Know

By Bob Carlson,
Editor, *Retirement Watch*

800-552-1152

AAll Research Triangle
April 8, 2017

www.RetirementWatch.com



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**



Missing Charitable Giving Opportunities

- **Qualified Charitable Exclusion**
- **Beneficiary Designations**



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**



Charities as Beneficiaries

- **No income tax on estate or charity**
- **Heirs inherit other property, increase basis**
- **If heirs inherit IRA, inherit only after-tax value**



Rollover Bloopers

- **Most common IRA transaction**
- **Several types of errors**
- **Many opportunities for errors**

The 60-Day Loan

- **2015 change: One every 12 months**
- **20% withholding**
- **2016 change: Honor system for waivers**
- **Advice: Custodian-to-custodian rollover**
- **Still high potential for errors**



Beneficiary Form Disasters

- Latest form filed controls
- Document that updates were received
- Search “pension pickle New York Post”
- Consider custom beneficiary form
- Review after every family life event



Non-Spouse Beneficiaries

- **Can't rollover 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**
- **RMDs must begin by Dec. 31 of year following owner's passing**



More for Non-spouse Beneficiaries

- IRA with multiple beneficiaries can be split
- RMDs differ for IRAs and 401(k)s
- Rollovers must be trustee-to-trustee
- What about the next generation?

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



Rules for Spouse Beneficiaries

- **Same options as for non-spouse beneficiaries**
- **Spouse also has spousal rollover or “fresh start” IRA**
- **Spouses under age 59½ should consider non-spouse choices**



Winning the War on Stretch IRAs

- **Make it last more than one generation**
- **Maximize after-tax amount for you and loved ones**
- **Put in hands of those you want to have it**



Tips for a Stretch IRA

- **Don't name estate or fail to name individual beneficiaries**
- **Name trusts with care**
- **Name younger beneficiaries**
- **Primary and contingent beneficiaries**
- **Consider naming charity as last contingent beneficiary**



When to Consider Trust as Beneficiary

- **Successor beneficiaries**
- **Designating investment advisor**
- **Ensuring Stretch IRA**
- **Creditor protection**
- **Immature beneficiary**



The War on Stretch IRAs

- **Recent proposals to require five-year payout**
- **Will changes be grandfathered?**
- **Take actions now**



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**



Waiting to Plan for the IRA Waterfall

- **Unneeded income, higher income and stealth taxes**
- **RMD rate increases each year**
- **Hits hard in late 70s and after**
- **Early planning has more options, increase lifetime after-tax family wealth**



Beat the IRA Waterfall, War on Stretch IRAs

- **Reduce IRA early**
- **Convert to a Roth IRA**
- **Add QLACs**
- **Establish a “Family Bank”**
- **Use charitable remainder trusts, life insurance**



Convert Traditional IRAS

- **Pay taxes now to avoid higher taxes later**
- **Roths not only for the young**
- **Can do in stages or reverse**
- **Can give heirs greater after-tax wealth**



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**



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**