America's #1 Provider of Retirement Distribution Strategies[SM]

WHO INHERITS YOUR IRA, THE IRS OR YOUR HEIRS?

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WHO INHERITS YOUR IRA?

WHY THIS QUESTION IS SO IMPORTANT

Who will get the money in your IRAs if something happens to you? Do you think you know? You might be surprised to learn that Uncle Sam, in his tax man guise, could take 35 – 80 percent of your IRA assets if a Multi-Generational IRA (also called a "Stretch IRA") strategy is not adopted[1]. Remember, when you set up that *tax-deferred* retirement account, you made the tax man your silent partner, agreeing to pay him the taxes sooner or later. Unless your retirement plan is set up correctly, the United States government may be the primary beneficiary of your IRA, but it doesn't have to be that way.

Many people are focused on building up their nest egg and once retired, they are worried about outliving their retirement funds and having to face the prospect of re-entering the job market when they should be enjoying their Golden Years. The first thing people need to understand is that this strategy does **NOT** take any money from you while you still need it. This strategy only affects what happens if you die leaving behind any of your IRA assets or other retirement plan assets to your beneficiaries. This strategy costs you *nothing*.

Without a Multi-Generational distribution plan, your beneficiaries could get hit with a huge tax bill that could literally take it all and leave your heirs with nothing. Who do you want getting the money you worked your whole life to save? Your heirs or the federal government?

Even we routinely refer to "IRAs," this discussion is relevant to all retirement or pension plans to some extent. The very first thing you must do is check with your 401(k), 403(b), IRA, or other pension plan *custodian* to see who your actual beneficiaries are. You may be surprised to find out what those documents actually say especially if you completed the paperwork 15 or more years ago.

Also, mergers, acquisitions, bank closures, computer data migrations and the like happen and there is a certain error rate associated with these procedures. Even if you did designate beneficiaries, it is possible that your current file is incomplete or could have been lost. You may have experienced major, life-changing events since you initially filled out your beneficiary designation paperwork or since the last time you updated it. You should check at least once a year to see who is listed as your beneficiaries. Do not assume other documents such as divorce decrees, prenuptial agreements or a will can take the place of proper beneficiary designation forms-they do not and will not.

[1] Varies depending on the state of domicile.

MULTI-GENERATIONAL IRAS

For your beneficiaries to continue enjoying the benefit of tax-deferred growth on IRA assets they inherit from you, they must be allowed to stretch distributions over their individual life expectancies. This stretch option is available only if allowed under the IRA custodial agreement or plan document, and only if certain steps are taken. Although custodians are *permitted* to offer stretch distributions, they are *not required* to offer this strategy. In this article, we provide a high level overview of the "stretch" concept and the steps that must be taken to ensure that it is available for the beneficiaries of your IRA.

Multi-Generational IRA Defined

The term Multi-Generational IRA ("MGIRA") is not an official term, but is used in the retirement planning industry to refer to the ability of designated beneficiaries to stretch IRA distributions over their individual life expectancies. For instance, assume that an individual inherits an IRA and, based on his age, the regulations allows him to stretch distributions over a 30-year period. This means that, providing he withdraws 1/30th of the IRA balance each year, he is allowed to enjoy tax-deferred growth (or tax-free in the case of a Roth IRA!) on the investments of the remaining balance in the IRA for approximately 30 years.

Keep in mind that this strategy is designed for those IRA owners who will not need the money in the IRA for their own retirement. This strategy specifically addresses the issue of ensuring that your heirs, not the tax man, will receive the remaining balance of your IRA and other retirement plan assets.

To illustrate how a MGIRA strategy works, consider the following scenario: Alice is 64 years-old and ready to retire. She has $300,000 worth of retirement assets. She would like to leave some of the assets to her favorite charity and the rest to her two children, Sue and Bob.

Here is how Alice can use an MGIRA strategy in her estate planning: When she retires, Alice rolls over her retirement plan benefits into separate, traditional IRAs, consolidating her assets so that she has three IRAs with a beginning balance of $100,000 each. A custodian is the company or financial institution that controls your IRA. As long as she has her current plan custodians transfer the assets *directly* into the new IRAs (commonly referred to as a trustee-to-trustee transfer), there will not be any tax consequences as a result of those transfers. Alice then names Sue as the designated beneficiary of the first IRA, Bob as the designated beneficiary of the second IRA, and the charity as the beneficiary of the third IRA.

Alice is only 64 years old and does not need the money so she decides to postpone distributions from the accounts and let all three IRAs continue to grow tax-deferred until she reaches age 70½. Federal tax law requires traditional IRA owners to begin receiving

required minimum distributions (RMDs) based on the owner's life expectancy by April 1st of the year after they turn age 70½.
Assume that by the time Alice begins her IRA distributions, the IRAs have each grown to $250,000, a total of $750,000 for all three. Based on her life expectancy, as determined using the IRS life expectancy table in IRS Publication 590, Alice would have to withdraw about $27,000 in RMDs at age 70½ from the aggregate of the three IRAs. Each year, the new custodian of Alice's IRAs will calculate the RMD amount for her.

After Alice's death, Sue and Bob will continue to receive annual distributions from the IRAs based on their individual life expectancies. Sue and Bob will each be responsible for paying income taxes on the IRA assets but they will only be taxed on the actual amount they each withdraw each year. Absent an MGIRA strategy, Sue and Bob could get hit with a huge tax bill, potentially draining the funds that Alice intended to last for years to come.

The charity, on the other hand, may be able to withdraw all of the assets from its inherited IRA *tax free* if it is a "qualified" charity. Many charities are tax-exempt and qualified charities do not have to pay any income tax on any distributions or lump sum received from a donor's retirement plan.

In a real world example, a California teacher worked her whole life to accumulate approximately $1.2 Million. Sadly, she died suddenly just six months after she retired. Her beneficiary forms that were on file with the custodian failed to properly name ANY beneficiaries and her estate was the default beneficiary, per the plan agreement. Her children ended up only receiving a total of $300,000 – the other $900,000 went to pay taxes to the state and federal government. Had her loved ones been able to keep the retirement assets in a tax-advantaged wrapper, they could have easily received approximately $4 million in lifetime distributions[2].

HORROR STORIES

Source: The New York Post article, *Pension Pickle*, by Zach Haberman, January 31, 2005. A widower lost his wife's pension that was worth nearly $1 million when it was awarded to her sister. Anne Friedman had completed a beneficiary form four years before she met and married Bruce; they were married for over 20 years but Anne never changed the beneficiary designation on her pension plan. Anne had named her mother and uncle (both deceased) as primary beneficiaries, and named her sister as the contingent beneficiary. Anne was a teacher in the New York public school system, which is **exempt** from the *Employee Retirement Income Security Act's* (ERISA's) provision that requires a spouse to sign a document specifically opting-out of inheriting a pension. The New York Courts held that they could not inquire into Anne's *intensions* and their ruling must be based upon the beneficiary paperwork on file.

[2] This illustration projection assumes a 5% annual rate of return.

Source: On the Docket, United States Supreme Court News, *Kennedy v. DuPont Plan Administrator*, January 26, 2009. William Kennedy divorced his wife Liv and as part of the divorce decree, Liv gave up her claim to his pension plan, but William never changed the actual beneficiary designation forms, even though he intended for his daughter, Kari, to receive the assets. When William died, Kari produced the divorce decree but the Plan Administrator refused to pay her because her father never changed the beneficiary form. Also, Liv never signed a waiver opting out of his pension plan, as would be required under ERISA. Since Liv was dead by the time this case made it to the Supreme Court, Liv's new husband and her designated beneficiary (the man she divorced William for!) ended up receiving the pension funds.

Source: Plan Sponsor Magazine, *Greenebaum Doll & McDonald, PLLC v. Debbie D. Sandler, Shannon Sandler et al. and Chris Meinhar*, February, 2008. Debbie and David Sandler got married but before they made it official, Debbie signed a pre-nuptial agreement releasing claim to David's pension plan, which he intended to go to his children from a prior marriage. The marriage between Debbie and David did not work out and they were in the process of getting a divorce when, tragically, David committed suicide. David's children attempted to claim his pension assets, but Debbie stepped in and said, "Not so fast" and made her own claim. The Court held that ERISA trumped the pre-nuptial agreement. David never asked Debbie to sign a *spousal* waiver, even though the pre-nuptial agreement evidenced her promise to do so. Since the text contained in a pre-nuptial agreement is not a valid spousal waiver under ERISA, Debbie got everything and David's children never saw a dime of the pension that David truly wanted them to have.

These "horror stories" are real events and it is our intent that they grab your attention and perhaps will motivate you into doing your own retirement distribution planning for your IRAs and other retirement plans. Designate primary and contingent beneficiaries and keep those beneficiary forms current. Get a valid spousal waiver on file with your custodian if you want to leave your retirement plan assets to someone other than your spouse, if required to do so under ERISA or your state laws. If you experience a major, life-changing event such as marriage, divorce, birth or death of a loved one, make updating or changing your primary and/or contingent beneficiary designations a priority.

THE CONCEPT OF MULTI-GENERATIONAL IRAS

Individual Retirement Arrangements or IRAs, serve two primary functions in retirement planning: income or legacy. An individual may contribute to an IRA over his or her lifetime with the intension of creating income during retirement and perhaps supplementing Social Security benefits or other investments. Other individuals may be able to sustain their lifestyles without ever needing to tap into an IRA. The undistributed portion of an IRA could be passed to a surviving spouse, children, or grandchildren; that is a legacy strategy.

When it comes to planning for your retirement and taking care of your family, there are quite a few options to consider. One of those is a Multi-Generational IRA, and it is becoming much more popular in estate planning. Many people put money in an IRA with the intent of using that money to support their lifestyle during retirement. Some people can enjoy a nice retirement without ever using the money they have saved in their IRA.

A Multi-Generational ("MGIRA") or "Stretch" IRA is essentially a wealth-transfer strategy that creates an opportunity to pass down assets to younger beneficiaries, extending the period of tax-deferred earnings on those IRA assets. The MGIRA concept is not brand new. It has been around since 1999 when the Internal Revenue Service, in a Private Letter Ruling, stated that a man who inherited his mother's seven-figure IRA could name his own beneficiaries.

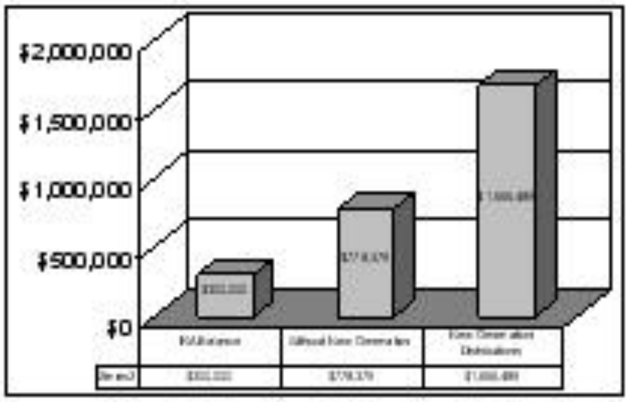
The MGIRA concept was refined further in 2001 when the IRS simplified IRA guidelines and did away with most of the old complex pay-out rules. This included the landmark revision of the Required Minimum Distribution Table for IRA owners. Lower Required Minimum Distributions (RMDs) allowed IRA owners to reduce the amount of mandatory withdrawals thus reducing annual income tax liability based on the reduction in mandatory distributions.

An Enormous Opportunity

This created an exciting new opportunity for clients and planners. Lower RMDs made it possible for IRAs to actually outlive their owners! The great news did not stop there. The new IRS RMD table made it possible for an IRA to outlive his or her designated beneficiaries!

This is black and white IRS code language. No smoke, no mirrors and no exotic sales chatter. The IRS has acknowledged that people in our country are living longer and therefore have reduced the minimum dollar amount of RMDs from IRAs each year. Because the IRS has embraced Multi-Generational planning, IRA owners now have an opportunity to create a legacy of income for their children and grandchildren.

To illustrate, a 65 year old male with a $300,000 IRA can potentially create over $1,600,000 of wealth, leaving a legacy for his family. See the chart below:



That is correct, your client can have an IRA that can live longer than he or she does and greatly benefit the lives of three generations of his or her family!

Remember, the MGIRA concept may be used for IRAs, 401(k)s, 403(b)s and SEP-IRAs. Currently, there is approximately $14 Trillion in retirement funds in the United States waiting to be stretched. So why hasn't MGIRA planning caught on like wildfire? Is it too good to be true?

The Tools You Can Benefit From

Successful MGIRA planning requires several specific tools. Without the right tools, the MGIRA concept will remain just that, a concept.

Illustration Software: There is a wide range of illustration software that can assist people in their planning strategy by allowing them to visualize the tremendous impact of Multi-Generational planning. These illustrations show the potential impact in both numeric and easy to read bar graph formats. Overwhelming piles of paper belong to the past and have been replaced by easy to read, personalized charts and graphics.

Product & Custodian: Custodians offer several products and a Fixed Indexed Annuity (FIA) is one of the most popular choices. What people love about an FIA is that the principal is guaranteed, which means that if you put in $100,000 that is the *minimum* you will get in return. FIAs lock in market gains and protect the principal from losses due to market volatility. In addition, some FIAs offer income riders that *guarantee* the owner a stream of income that cannot be outlived.

The Missing Link: A MGIRA strategy is only a concept unless people can actually control the distributions after the owner's death. It is important that you not only complete valid beneficiary designation paperwork to effectuate the strategy but that your loved ones are informed about the MGIRA concept. They need to be informed about the incredible opportunity for a financial legacy that you have created for them so they understand how it works and what they, as designated beneficiaries, need to do to preserve and maximize that legacy.

The Multi-Generational Limit

An inherited IRA cannot be stretched beyond the initial applicable life expectancy. In fact, all successor beneficiaries are subject to the life expectancy period that applies to the first beneficiary. The following example illustrates this:

Tim, an individual who is age 56, inherited an IRA from his father. Tim was required to begin distributions from that inherited IRA the following year, when he is 57 years old and his life expectancy is 27.9 years. Tim died a year later. His successor beneficiary, who is his 25 year-old son Jim, may continue the distributions over Tim's remaining life expectancy. Jim cannot use his own life expectancy because he was not the first generation beneficiary of that IRA.

Spouse Beneficiaries and Multi-Generational IRAs

Spousal beneficiaries have more options than non-spouse beneficiaries of an IRA. A spouse beneficiary may elect to treat an inherited IRA as his or her own. Such an election would treat the spouse as the first-generation beneficiary. For instance if Tim, in the example above, was the surviving spouse of the deceased IRA owner, and elected to treat the IRA as his own, the IRA would maintain no trace of ownership to the original owner. Consequently, after Tim died, his son Jim would be able to use his own life expectancy (not his father's) to calculate post-death distributions. This would allow Jim to stretch distributions over his remaining life expectancy of approximately 58 years, instead of the 26.7 years that would apply if he were a second-generation beneficiary.

What If Your IRA Custodian Does Not Allow a Multi-Generational Strategy?

Most financial service institutions allow beneficiaries to stretch distributions over their individual life expectancies. Unfortunately, not all do and they are not required to offer this option. In most cases, the IRA custodial agreement or retirement plan documents will indicate whether this is an available distribution option for designated beneficiaries. But to be sure, you must check with your financial institution and, specifically, the custodial agreement that corresponds to your individual account, to determine whether your IRA permits the stretch. Bear in mind that your financial institution may not use the term "Multi-Generational" or "Stretch IRA." Again, this is a strategy and the key is to ask the right questions and make sure the answers provided are what you need to hear. If your financial institution does not offer a MGIRA option, you may want to consider transferring your IRA to a financial institution that does.

The Tax Bite

First, there is income tax to consider. You will have to pay both federal income tax and state income tax (if applicable) on any qualified retirement plan distributions you receive during your lifetime. Any remaining tax-deferred contributions and account earnings distributed to your family after your death will also be subject to income taxation. At present, federal income-tax brackets range from 10% to 35%.

Next, there is estate tax to consider. Depending upon the size of your estate, your plan assets may be subject to estate tax at rates as high as 35% for both 2011 or 2012. If you leave the assets to grandchildren, your estate may have to pay a 35% generation-skipping transfer tax as well. The exemption for estate, gift, and generation-skipping taxes has been increased to $5 million. In a worst-case scenario, your retirement assets could be reduced by as much as 80% before your heirs get to enjoy them.

Other Benefits

Stretching assets isn't the only benefit offered by a Multi-Generational planning strategy. An estate may be able to claim a charitable deduction for the full fair market value of the IRA assets the charity receives, eliminating federal estate tax on the assets. In addition, beneficiaries may be able to claim an income-tax deduction for any estate tax paid on the IRA assets they receive.

Insurance may be a better way to handle estate taxes. When using a MGIRA strategy, an IRA owner could also set up an irrevocable life insurance trust benefiting his or her beneficiaries. A trustee would purchase insurance on the owner's life in an amount that would cover any potential estate tax and, if the owner chooses, replace any assets that are being left to a charity.

As long as the IRA owner retains no incidents of ownership in the insurance policy, the proceeds will not be included in the taxable estate. Additionally, the beneficiaries will not have to pay income tax on the insurance proceeds. They effectively would receive all of the IRA assets — with the bonus of receiving some of the assets income-tax free.

Are Multi-Generational IRAs a right strategy for you? It depends on you and your family's personal financial situation. Your professional advisor can help you make that decision.

We Can Do Better!

After you've taken care of your spouse, you have two choices with respect to your IRA: provide income for your children or income for the government. Which do you prefer? There is nothing wrong with paying your fair share of taxes but, as legendary broadcaster Arthur Godfrey once said, "I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money."

With proper planning, instead of taking your IRA in one lump sum and paying between 35-80% of it to the government, the government now allows your children (or other named beneficiaries) to take withdrawals from your IRA based on THEIR life expectancy. By doing this, your beneficiaries can continue the power of tax deferral over time, maximizing the amount of money distributed from your IRA, maximizing their inheritance.

You must be careful…there are two things that can destroy your good intentions of Multi-Generational distribution planning: 1) your beneficiaries and 2) your IRA custodian. Your beneficiaries may not even be aware of the potential MGIRA opportunities that are available to them and what it could mean for their financial future. It may be uncomfortable but what is a little discomfort compared to gaining potentially thousands or even millions of dollars over their lifetime in distributions? It is *crucial* that you have your IRA beneficiary designation forms reviewed every year to make sure everything is up to date. If you have not reviewed your beneficiary designation form within the past twelve months, you should do this immediately.

Also, your IRA custodian (the company that controls the terms of your IRA) may have strict rules governing the distribution of your IRA assets. It is not uncommon for an IRA custodian to not administer the stretch distribution of your IRA, and instead, require the entire balance to be distributed over a five year period, therefore reducing the power of tax-deferred growth. Each custodian will have its own set of rules and procedures so it is important for you to understand how your IRA custodian will handle your IRA after you pass away. For a list of ten questions that you should *always* ask your IRA custodian, contact our office immediately.

How can you avoid these two pitfalls? There are a couple things you should consider when planning for the distribution of your IRA to your heirs. First, you might consider using a trust to control the distribution of your IRA assets. Second, you could also consider rolling over your IRA assets to a custodian that will administer the distribution of your IRA based on your wishes and desires.

What You Need to Know About a Trust

A trust can be a very valuable tool in IRA distribution planning, but it can also be a potential disaster if not set up correctly. Typically, to be able to use a MGIRA strategy, you must name natural persons, it cannot be used with a trust. What happens if you do not name a natural person and name your estate or entity? Simple, the entire IRA balance will be required to be paid out over five years, and your heirs will be hit with a heavy tax burden, losing the powerful benefit of compound interest on your IRA. The IRS has explicitly stated that a trust cannot be a designated beneficiary of an IRA, period. However, you may be able to "stretch" IRA distributions over the life expectancy of the *oldest* identifiable beneficiary of the trust but only under very specific circumstances-the trust must qualify as "see-through" for beneficiaries of the trust to exercise that option.

To qualify as "see-through," a trust must comport with the following IRS requirements: it must be valid under state law, it must be irrevocable (not able to be changed) upon the death of the IRA owner, the beneficiaries must be identifiable from the trust instrument and the documentation requirement must be satisfied. You should use an attorney who specializes in this area of trust law if you want to consider this option.

Some IRA Trust Advantages:

- Gives you control over who will inherit your IRA and the amount each beneficiary may withdraw to protect them from themselves. You may have a beneficiary who is incapable of handling finances or a beneficiary with some bad habits you do not wish to finance.
- Protects your IRA from the “out-laws” (former in-laws). Your children’s spouses could take up to half of YOUR IRA in a divorce. Even if your children are not currently married, a future spouse could sniff out your money, and marry your child for the wrong reasons.
- May help minimize estate taxes for each beneficiary.
- May protect a beneficiary that is receiving government benefits.
- May offer creditor protection for your beneficiaries.

IRA Rollovers

One important thing to consider when rolling over your IRA is how the custodian will handle the distribution of your assets. If your current custodian will not distribute your IRA over your beneficiaries' life expectancies, you should strongly consider rolling your IRA to a custodian that will honor your wishes. Before you roll over your IRA, it's important to talk with a qualified advisor, accountant or attorney about the advantages and disadvantages.

"You don't choose your family. They are God's gift to you, as you are to them." - Desmond Tutu

Potential Advantages of Rolling Over Your IRA to a New Custodian:

- You may have more choices as to where you may invest your IRA money.
- There may be more options on planning the distribution of your assets.
- There may be the potential for a conversion to a Roth IRA.
- The ability to consolidate your accounts and keep better track of your IRA records (there are situations where keeping your IRA accounts separate could make more sense).
- The ability to work with a custodian and advisors who specialize in retirement distribution planning and can offer objective advice.

1. Name Your Beneficiaries and Designate the Percentage Each Shall Receive

This whole strategy revolves around naming your beneficiaries and keeping that designation current. The key to correct beneficiary designations is that each beneficiary must be named along with a specific percentage (s)he shall receive. For example, you may say, "John Doe 33%, Jane Doe 33% and XYZ Charity 34%", but *not* "John Doe, Jane Doe and XYZ Charity equally" as the amounts are not designated, *nor* "My children, and XYZ Charity split equally" as neither the names of the children or the amounts are designated. If you do not *name* your beneficiaries and designate the amount they are to receive, your heirs will not be able to retain the IRA tax advantaged wrapper and may have to pay all the taxes on the entire IRA immediately. This error can cost your beneficiaries most or ALL of their inheritance. There is, however, a solution at your fingertips: with some distribution planning, you can pass the IRA to your heirs with its wealth intact. Your heirs will be required to take RMDs based on their individual life expectancies, while the remainder can grow in a tax-advantaged manner.

If your custodian permits an MGIRA strategy, be sure to name all contingent and tertiary beneficiaries and their respective percentages. Review your designation forms regularly to ensure that the distribution strategy you want is being maintained and that the custodian has not since changed the rules via an amendment to the terms of the original agreement.

2. Do a Custodial Review

Your IRA's custodian is the brokerage, bank or other entity that holds your IRA. You need to make sure your *custodian* will allow a MGIRA strategy. "What?? You mean my custodian doesn't have to allow this tax strategy?" NO, it does not. When you signed all of the paperwork to set up your retirement plan, you basically gave the custodian control over your IRA and agreed to all of the terms. You would probably be surprised to learn what you really have agreed to. There is at least one popular custodian that did not allow trustee-to-trustee transfers of non-spousal IRAs – meaning if you named your grandkids as beneficiaries, they would have to stay with that custodian to maintain the IRA status, which means that the custodian holds your IRA hostage. Another custodian disinherited a bunch of people when they went to only allowing a single named beneficiary; at the time the custodian made the change they selected the oldest named beneficiary but they failed to inform anyone, they just did it. Remember, you have the power to vote with your feet. If your custodian will not allow you to use a MIRA strategy, then you can do a trustee-to-trustee transfer to a custodian who will.

It bears repeating: *IRA beneficiaries must be named and have designated percentages of the IRA they are to inherit; the custodian must have this information AND permit the MGIRA strategy.*

3. Special Paperwork

You should sign a testament and give it to your beneficiaries for *their* tax records in the event they do inherit the IRA. Basically, the testament should state that the beneficiary designation is *unconditional*. IRA distributions cannot be restricted and yes, they must be allowed to do foolish things like take all the money at once and pay exorbitant taxes if they want to. Most of our clients didn't sacrifice and save their entire life, saving money in their IRA, just to pay 35% of it to the government and then have their kids go blow the rest on a brand new Porsche but you can certainly discuss the MGIRA strategy with them TODAY before it is too late. You cannot *require* a beneficiary to adopt a MGIRA strategy but you can educate them and inform them of the tremendous benefits and significant increase in their inheritance that may result from this strategy.

4. Other Comments

It is important to name a real, *living person* as a beneficiary. Dead people and *trusts* do not work. The whole idea is to keep the IRA alive at least as long as the beneficiaries' life expectancies. You can buy insurance to help your heirs pay the taxes on the IRA too, but that topic is beyond the scope of this discussion.

AVOIDING COMMONG IRA MISTAKES

"No one is useless in this world who lightens the burdens of another." -Charles Dickens

How many times have you heard the old saying, with change comes opportunity? Never has this been truer than when it comes to the changes with IRA laws and taxation. There have been several major changes to IRA tax laws and regulations over the years, including the Economic Growth and Tax Relief Reconciliation Act of 2001, Jobs and Growth Tax Relief Reconciliation Act of 2003, and culminating with the Pension Protection Act signed into law on August 17, 2006. What is the government telling us with these constant changes to IRA rules and regulations? They are telling us, "We need you to save more for your retirement."

Corporate pension plans have greatly diminished over the years, the future of our Social Security system is in question and because of this. The government may not even be able to meet the retirement needs of your children and grandchildren. (They may not be able to meet your needs.) Through these continuing changes to IRA rules, the government is sending a clear message: the American public needs to accept more responsibility for their own retirement. The government has given IRA owners every opportunity to maximize not only their retirement savings, but use their IRA to provide for future generations.

Your IRA can be a very powerful financial tool that can provide income for you and your loved ones if you know how to take advantage of the opportunities available to you. With uncertainty ahead, it has become necessary that you educate yourself on how you can protect and provide for you and your loved ones. This educational guide has been developed to help you do exactly that. Our goal is to help you understand the opportunities available to you with your IRA because, unfortunately, if you do not take advantage of them, the long term impact on your retirement and the retirement of your children and grandchildren is at risk.

Albert Einstein said "The most powerful force in the universe is compound interest." One of the reasons your IRA can be a great accumulation tool for retirement is because of this powerful force. You do not pay any taxes on your IRA until you start taking withdrawals. This allows your IRA to take advantage of compounding interest, which means you earn interest three ways: 1) on the investments/deposits into your IRA, 2) on the interest those investments earn and 3) on money that normally would have been paid in taxes.

Because of this triple compounding effect, it is typically a smart idea to take income from other sources and defer taking income form you IRA until you absolutely have to. How long will that be? Until you reach the age of 70½? After your turn 70½, the government forces you to take a required minimum distribution by April 1st of the year after you turned 70½. This minimum amount will be based on factors such as your age, the total balance of all your qualified assets, and in some cases, even the age of your beneficiary. It is very important that you take this minimum distribution every year after turning 70½, there is a reason it's called required minimum distributions...there are severe penalties if you don't take them. If you fail to take your RMD you will face a 50% TAX PENALTY!

How do I calculate my RMD? The required minimum distribution is based on a uniform life expectancy table. You must take your account balance on December 31st of the prior year and divide it by the uniform life expectancy table to determine the minimum amount you must withdraw from your IRA and pay taxes on.

Age of Owner Life Expectancy

Example: Age 70

70	27.4
75	22.9
80	18.7
85	14.8
90	11.4
95	8.6
100	6.3

Account Balance = RMD	\$500,000 = \$18,248
Life Expectancy	27.4

CONCLUSION

Who should benefit from your retirement assets-you and your family, or the coffers of the federal and state government? The answer is easy: you and your family, of course. Achieving that goal is more difficult. These days, very few people stay at one job for their entire careers. So, by retirement, you and your spouse may have assets in four, five or even more employer-sponsored retirement plans and IRAs. How you utilize those accounts at retirement can make a big difference in the amount of assets available to pass on to children or other heirs.

You have an opportunity to give your family a tremendous gift with your IRA if you take the appropriate steps. The first and most important step is correctly designating your beneficiaries. If they are not set up correctly you could disinherit your loved ones, even your spouse. A simple piece of paper and a signature are all that stands between you and the government taking 35-80% of the money you worked for your whole life, or having your beneficiaries be able to grow the IRA assets in a tax advantaged manner. Again, it costs nothing and takes no money from you while you are alive.

A Multi-Generational IRA strategy is one of the most important financial and estate planning tools for IRAs. Be sure to review your IRA plan document carefully and make sure it is available before signing the agreement. Please do not hesitate to contact us if you need professional assistance, including assistance with reviewing your IRA plan document to ensure it meets your financial and estate planning needs.

HELP IS WITHIN YOUR REACH

We will help you:

- Review your current beneficiary designations.
- Select the correct beneficiaries to insure your wishes are met and your family is provided for.
- Determine if a trust would be beneficial in planning for the distribution of your IRA.
- Discuss the potential advantages of an IRA rollover.
- Determine when you must take your required minimum distributions and how much they will be.
- And most importantly, help you take care of your family and turn your IRA into a blessing that provides for them long after you have passed.

We hope this educational guide has provided you with a vision of how your IRA can provide a lifetime of income for you and your loved ones. But remember, "A vision without action is a daydream; action without vision is a nightmare." If you care about your family and their financial future, please take action now, and guarantee your IRA will provide for them. Years from now, they may not have other options.