

## BE PROACTIVE WITH YOUR INDIVIDUAL RETIREMENT ACCOUNT

An Individual Retirement Account is an excellent vehicle for tax deductions (if eligible) during working years and for tax deferral. Payouts are made over the IRA owner's lifetime, beginning at age 70 ½, and any amount remaining at the owner's death can be stretched out over a beneficiary's lifetime as well.

However, a regular IRA account (not a Roth IRA) is a poor asset to leave to your heirs in some ways, because the proceeds are subject to income tax (except to the extent the owner made nondeductible contributions to the IRA during his lifetime) and to estate tax.

Do you have a significant balance in your Individual Retirement Account? Are you not depending (or planning to depend) on your IRA account for living expenses in retirement? If you are over the age of 70 ½, do you withdraw just the Required Minimum Distribution (RMD) amount from your IRA each year because you are forced to?

If you fall into the category of IRA owner described above, and you are over the age of 59 ½, you might consider becoming more proactive with your IRAs by taking withdrawals sooner than age 70 ½ or by taking out more than your RMD each year.

Consider making withdrawals\* from your IRA for the following purposes:

1. To convert to a Roth IRA. The original owner of a Roth IRA never has to take a Required Minimum Distribution, regardless of age. Once certain requirements are met, you and eventually your beneficiaries can make withdrawals from a Roth IRA entirely income tax-free.
  - \* The preferred way to do a Roth conversion is to transfer funds or securities directly from a regular IRA account to a Roth IRA account.
2. To buy a life insurance policy. Use IRA withdrawals to pay the insurance premiums. You can structure a life insurance policy as a single premium payment, a fixed number of payments (e.g., ten years), or for the rest of your life. Ordinarily the death benefit is not subject to income tax, and if the policy is owned by an appropriate trust, the death benefit is also estate tax free. Depending on how long you live and other factors, the proceeds you leave to your beneficiaries could be much greater than the amount of your IRA.
3. To buy a long term care insurance policy. A long term care policy is intended to protect you from depleting your assets if you need nursing home or other long term care later in life.
4. To make charitable contributions. Congress is considering reinstating a tax provision that expired at the end of 2009 that permitted direct payments from an IRA to a charity without running the distribution income through the owner's tax return.

5. To make lifetime gifts to beneficiaries. Everyone has a \$1 million lifetime federal gift tax exemption. Using part of your gift tax exemption also uses part of your estate tax exemption. However, each person can make gifts up to \$13,000 annually per recipient without using any part of the \$1 million lifetime gift tax exemption.

These are just a few ideas about how to use IRA withdrawals proactively.

Usually withdrawals from a regular IRA account are subject to income tax. In every case you must consult with your tax advisor to determine the tax consequences of making a withdrawal. Will a withdrawal put you into a higher tax bracket? Do you expect to be in a lower tax bracket in future years? Will additional income “phase out” part of your deductions or other tax benefits?

Once you turn 70 ½, taking just the Required Minimum Distribution from your IRAs each year is the path of least resistance. At Curran Investment Management, we will work with you and your tax advisor to determine whether a more proactive approach to your IRA makes sense for you.



Arthur F. Dicker, JD, LL.M., CFP®  
Wealth Strategist

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