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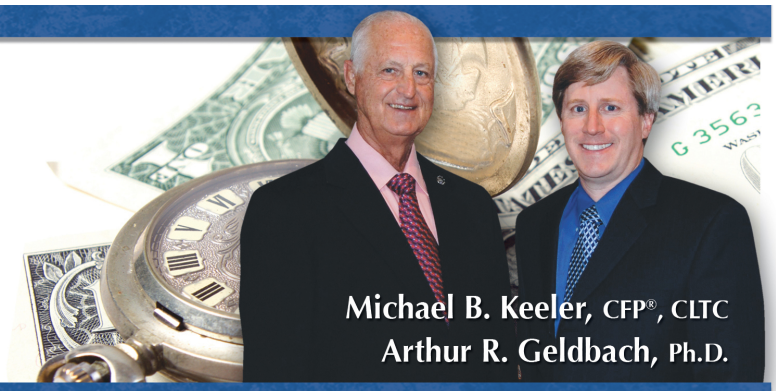

Attention Retirement Savers: Retirement Accounts Are Different!

According to the Investment Company Institute, it is estimated that there is over $18.5 trillion in retirement accounts as of June 30, 2012. Retirement accounts make up the majority of many people's assets and unfortunately, many owners of IRAs and their financial advisors are not fully aware of the complicated tax laws regarding distributions of these retirement accounts.

Many people focus on the investments within these accounts and their returns, which are very important, but they overlook the important strategies that can save investors and their heirs' money in the long run.

Retirement accounts are different!

People often forget that retirement accounts have to be in the name of an individual and that the beneficiary designation will override any other estate planning document such as your trust, will, etc. Therefore, it is imperative that you separate the retirement accounts from any other part of your estate when establishing a proper plan for distribution of these assets.

The rules regarding these retirement accounts or IRAs can be very complex and cause many mistakes.

Many times, financial professionals refer to IRAs as "Individual Riddle Accounts" because they are significantly different from most other assets in your estate plan.

Some of the differences are they:

- Do not pass through the will (unless payable to an estate)
- Are not subject to probate (unless payable to an estate)
- Receive no capital gains treatment
- Receive no step up in cost basis up death
- Cannot be gifted (in most cases)
- The title cannot be transferred to a trust
- Are subject to special rules, called Required Minimum Distributions

IRA accounts are perhaps the only assets in your estate that will require you to take out a minimum distribution. Also, please remember that by placing a title of an IRA into a trust, you may cause immediate taxation. Once again, IRA or retirement assets are different!

Through proper planning, you can set up your IRA so that your heirs, whether they are your children, grandchildren or anyone else, can receive what is called an Inherited IRA. There are various tax laws, regulations, rules and even private letter rulings that may effect the decisions you make in setting up these Inherited IRAs. Investors should note that stretch or inherited IRAs are designed for individuals who will not need the money in the account for their own retirement needs.

In planning your retirement account, it is imperative that you review the importance of choosing the right beneficiary/beneficiaries. An informed decision can help you better understand your options, when considering tools like Roth IRAs, which were created by the Taxpayer Relief

Act of 1997 and further modified by the IRS Restructuring Reform Act of 1998. Remember, Roth IRAs are significantly different than traditional IRAs and need proper planning as well.

Keeping current with new tax laws is another essential ingredient for successful retirement planning. In fact, The Pension Protection Act of 2006 (PPA) made some significant changes for retirement accounts.

The bottom line is retirement account distribution and planning, while it may look simple on the surface, is something that should be taken seriously and work through with knowledge of the rules, regulations and tax code. Sometimes even people in the financial arena or savvy investors are not familiar with these complicated tax laws.

Whatever you do, make sure you or who you are working with is familiar with the tax laws regarding retirement distribution rules.

One very basic but important thing to understand is that it is extremely important to remember that there can be two sets of rules:

1. The IRA's rules
2. The IRA custodian or Retirement Plan Administrator's rules

The law says you must use the stricter of these two sets of rules! Many people are not aware that a custodian may not be or does not have to be current with respect to allowing you to use provisions under the new tax laws. In fact, the IRS may state a particular rule that allows the entitlement that you want to use but if your custodian or administrator does not reflect that rule then you must use their rules, even though the IRS tax laws allow you to do differently.

In addition to understanding all the rules and regulations regarding retirement accounts and distributions, it is equally as important to know not only what the IRS laws are, but what your custodian allows. Please make sure that in addition to reviewing all the IRS rules, you also carefully review your IRA custodian or Retirement Plan Administrator's rules. This is a crucial part of retirement planning that should be taken as serious as making your important investment decisions and choices.

As always, if you have any questions or would like to discuss the specifics of your portfolio, please call our office at (702) 870-7711.

Complimentary Financial Check-up

If you are not currently a client of GFS & Associates, we would like to offer you a complimentary, one-hour, private consultation with one of our professionals at absolutely no cost or obligation to you. To schedule your financial check-up, please call Cher at (702) 870-7711

About Michael B. Keeler: Mike is a Certified Financial Planner and is the owner of GFS & Associates, a financial planning firm that has been serving Las Vegas for 30 years. Mike works with individuals and small businesses on a variety of financial topics, including retirement planning and employee benefits. Mike can be reached at (702) 870-7711 or find him on the web at www.GeldbachFinancial.com.

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