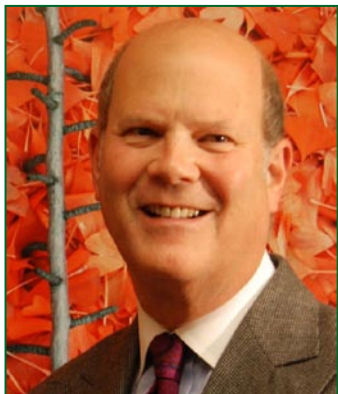


# B<sup>2</sup>: Bud's Brainstorms

Insights you need in 60 seconds or less



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## Get a Jump Start on Good Resolutions With These Helpful IRA Tips

### Check Your Beneficiary Forms

A lot can change in a year, such as a marriage, divorce, birth or death. When these types of "life events" occur, beneficiary forms need to be updated. While a beneficiary form review is not required by year end, it is a great time to be proactive and check to make sure your existing beneficiary forms still reflect your wishes. If you can't find your beneficiary forms, contact us and we'll be happy to review them with you.

### 2010 Roth Conversions

A special deal is available for taxpayers who convert to a Roth IRA in 2010. The income from a 2010 conversion can be split equally over 2011 and 2012. In order to qualify for the special deal though, the converted funds must leave the traditional IRA (or other qualified plan) by December 31, 2010.

### Accelerate Charitable Donations

If you are charitably inclined, you may want to accelerate charitable contributions in 2010. The increase in donations can be used to help offset Roth conversion income if you have converted, but have opted out of splitting the income over 2011 and 2012. It includes all the income from the conversion in 2010. As an added bonus, the overall limit on itemized deductions is completely phased out in 2010 (only for 2010) allowing greater deductions in some cases.

### Gifting

If you have yet to take advantage of the annual gift exclusion for 2010, you have until December 31, 2010 to do so. The gift exclusion for 2010 is \$13,000 per donor to each recipient. That means that a husband and wife can give \$26,000 to each of their children without using up any of their unified credit (gift and estate tax exemption amounts). Since the gift tax exclusion is applied per calendar year and not 365 days, taxpayers with available funds can "double up" by gifting before year-end and then again in early 2011. This may be a great way to reduce the value of a taxable estate or to provide loved ones with some extra cash so that they can make a Roth conversion.

### Remember... RMDs are back!

Required minimum distributions (RMDs) were suspended in 2009 but are back for 2010. Most retirement account owners and beneficiaries (including Roth IRA beneficiaries) subject to RMDs must take them before year end or be subject to a 50% penalty on any missed distributions. 2010 RMDs will be based on the December 31, 2009 balance.

### Year of Death RMDs

RMDs must be taken for IRA owners who died in 2010 and did not yet take their RMDs. The RMD must be taken and reported as income by the beneficiary. It is not taken by the estate of the deceased IRA owner (unless the estate was the IRA beneficiary).

### Splitting IRAs

Designated (named) beneficiaries who inherited IRAs in 2009 have until December 31, 2010 to split the account into separate shares so that each beneficiary can use their own life expectancy to calculate RMDs. Each share should be transferred into a separate, properly titled inherited IRA. The account can be split after December 31st, but beneficiaries will be "stuck" using the life expectancy of the oldest beneficiary. If this occurs and you are not this oldest beneficiary, you could be put at a distinct disadvantage as the RMD amounts in this case will be substantially higher than if you had been able to use your own life expectancy.

### 2009 Plan Beneficiaries

Beneficiaries that inherit plan assets are generally subject to the plan's (often restrictive) rules. An exception allowing plan beneficiaries to escape the plan's rules and secure a stretch IRA is available for those who directly transfer inherited plan funds to an inherited IRA (or convert directly to an inherited Roth IRA) and take their first RMD - both by December 31st of the year following the year of death. So beneficiaries that inherited plan assets in 2009 only have until December 31, 2010 to complete their transfer and take their first RMD to avoid reverting to the plan's rules.

Source: Ed Slott and Company, LLC