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Specializing in Elder Care, Trusts & Estates, Taxes & Small Business

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Inside This Issue:

Required Minimum Distributions—Important Things to Know

The oldest Baby Boomers began reaching age 70 1/2, the age when required minimum distributions must be taken, a couple of years ago and this wave will continue. RMDs must be taken from IRAs, 401(k)s and other retirement accounts. RMDs must be taken by December 31 each year. Here are things you need to know about required minimum distributions.

The penalties can be steep

The penalty for not taking an RMD is steep, 50% of the amount not taken in addition to paying the taxes due.

Be aware of the total required minimum distribution

If you have multiple retirement accounts you will likely receive a separate RMD amount for each account. Note that the total of your required minimum distribution is what counts, you can generally take the entire amount of the distribution all from one account or from some or all of your various accounts as long as the total amount taken is correct.

Timing matters

Your first required minimum distribution will be for the year in which you turn 70 ½. For example if you

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5 Habits Of Happy, Highly Successful Retirees

Retirement can feel like a permanent vacation – as long as you make the right choices and avoid costly mistakes. To make your journey to and through retirement happier and more successful, here are the top 5 habits of happy and highly successful retirees so that you don't just have an OK retirement...or a mediocre retirement...the goal is so you can have the best retirement.

HABIT 1: Retiring On-Time

You don't want to make the mistake of retiring too soon. Unfortunately, most people spend more time planning for a vacation than they do planning their retirement. The last thing you want is to look back with regret and think, "man…I retired a little too early," especially when it comes to making absolutely sure you have adequate health care coverage. Highly successful retirees have a fool-proof game plan for retirement. They have proper guidance before making one of the largest financial decisions of their lives.

HABIT 2: Fending Off The Tax Man

Taxes in retirement are a whole new ballgame when you factor in that taxes can become a lot more complex in retirement with Social Security income, IRA withdrawals, RMDs, etc., so it pays to have pro-active advice. It's not about how much you make or how much you have…it's about how much you keep *after* taxes that counts. There are only two tax scenarios that really matter: current taxes and future

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Required Minimum Distributions—Important Things to Know...*Continued From Pg 1*

July 1, 2017 and you would have a required distribution for the current calendar year, 2017.

How is this calculated?

Your required minimum distribution for a given year is calculated based upon your age and the total of your retirement account(s) at December 31 of the prior year. The calculation is based upon IRS tables.

Required minimum distributions are not always required

If you are 70 ½ or older and still working there is a specific exception to the RMD rule. This pertains only to the 401(k) or similar retirement plan of your current employer. Additionally it only applies if you are less than a 5% owner of the company. If both conditions are satisfied, you do not have to take an RMD on that plan.

Inherited IRAs and required minimum distributions

Inherited IRAs are a specific type of account that usually comes into play with a non-spousal beneficiary. If the mother had already started taking required minimum distributions from her IRA then the children would need to continue taking RMDs from their inherited IRA accounts. However their distributions would be based upon their life expectancy tables resulting in smaller distributions then would have been required by their mother.

Roth IRAs and required minimum distributions

One of the major benefits of a Roth IRA account is that the owner is not required to take the required minimum distribution. This might be a factor among many in deciding whether a Roth IRA is the right way to go. Note; inherited Roth IRAs have different rules for non-spousal beneficiaries. If this is your situation, contact a financial advisor who understands this issue.

Source: www.thechicagofinancialplanner.com

Please contact our office for more information.†

"What a bargain grandchildren are! I give them my loose change, and they give me a million dollars' worth of pleasure"
- Gene Perret

What Our Clients Say About Us

"Marcia and her staff make it a professional yet friendly experience"
—DM

5 Habits Of Happy, Highly Successful Retirees...*Continued From Pg 1*

taxes. And highly successful retirees have a plan that addresses both.

HABIT 3: Optimizing Social Security Benefits

Optimizing your Social Security benefits isn't as simple as a one-size-fits-all answer of taking SS early or delaying it. You need to factor in health history, other sources of income, the effect on your investment portfolio, etc. In other words, do the homework because the SSA – the Social Security Administration - is responsible for only administering the programs benefits, not guiding you to extract every ounce of benefit owed.

HABIT 4: Diversifying For Everlasting Income

True diversification of a portfolio must include much more than just the usual mix of stock and bond funds. That's because if you're heavily invested in mutual funds, you are effectively betting that the market will go up forever, but that's not wise.

HABIT 5: Maintaining A Modern Estate Plan

The highly successful retiree has their estate planning documents reviewed every few years because laws are constantly changing and life changes as well. For instance, estate tax laws have changed greatly over the last few years and will likely change again in the near future. Like investing, estate planning is not a set it and forget it type of planning. It must be maintained and modernized every 3-5 years otherwise it becomes more and more obsolete making your plan more susceptible to excessive taxes and unnecessary hassle and probate.

Source: www.forbes.com

Please contact our office for more information.†

You can e-mail us at Toni@MCampbellCPA.com to receive your newsletter by e-mail!