ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Year-End IRA Checklist

Critical Items to Check Before the New Year

The following are some of the most overlooked year-end items. ***Check them!***

RMDs

Required minimum distributions (RMDs) were suspended in 2009 but are back for 2010. Most retirement account owners and beneficiaries subject to RMDs must take them before year end or they'll be subject to a 50% penalty on any missed distributions.

Year of Death RMDs

RMDs must also be taken for clients subject to them who died in 2010. Any remaining 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.

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.

2010 Roth Conversions

A special deal is available for clients that 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.

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