



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Top IRA Rulings of 2013

2013 brought far-reaching tax legislation and a landmark Supreme Court decision that both had important implications for IRAs and other retirement accounts. Court cases and IRS rulings provided guidance and additional clarification on matters new and old.

Here are the top IRA rulings of 2013:

ATRA Expands In-Plan Roth Conversions

The American Taxpayer Relief Act (ATRA) of 2012 was actually signed into law in early 2013. Among its myriad of provisions are some that directly affect retirement accounts.

For example, tax deferral is more valuable for many clients. Clients in the new top 39.6% tax bracket will get a greater benefit from contributing to tax-deductible retirement accounts. That's especially true if a client expects to be in a lower bracket when taking withdrawals.

ATRA also made it easier for 401(k) participants to convert to a Roth 401(k),

starting in 2013. The new rules apply to the Roth versions of 403(b), 457(b), and the federal Thrift Savings plan as well.

“Previously, you needed to clear three hurdles to implement such a conversion,” says Jeffrey Levine, an IRA technical consultant with Ed Slott and Co. “Your company had to offer a Roth version of the plan, the plan had to permit such conversions, and you had to be eligible to receive a distribution from the plan.”

ATRA eliminated the third hurdle, according to Levine. Now any participant can convert 401(k) funds to a Roth version, regardless of age or current employment situation – as long as the plan allows.

“This opens the door for in-plan Roth conversions,” says Levine. “Young people, in particular, might benefit from this opportunity.”

Young workers have more time for tax-free wealth buildup, before retirement. Typically, they have

ATRA made it easier for 401(k) participants to convert to a Roth 401(k).

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