



ED SLOTT'S IRA ADVISOR

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October 2014

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

IRS Authorizes Tax-Free Roth Conversions of After-Tax Plan Funds

**IRS Notice 2014-54
Released, September 18, 2014**

On September 18, 2014, the IRS released Notice 2014-54, *Guidance on Allocation of After-Tax Amounts to Rollovers*, which provides details on the taxation of various transactions when a client takes a distribution from their company retirement plan that contains both pre-tax and after-tax funds. Most importantly, the Notice definitively answers one of the most hotly debated questions in the retirement planning community in recent years ... “Can a client with pre-tax and after-tax plan money directly roll over (convert) their after-tax money (basis) to a Roth IRA, while also directly rolling over their pre-

tax money to a traditional IRA?” The IRS’ answer in Notice 2014 -54 was an emphatic, “Yes.”

The Big Picture – Simpler Tax-Free Roth Conversions of After-Tax Plan Money

The most important takeaway for advisors from Notice 2014-54 is clearly the ability for clients with both pre-tax and after-tax money in their employer plans, like 401(k) and 403(b) plans, to allocate the pre-tax and after-tax portions of plan distributions to different retirement accounts. Although the Notice says it will generally apply to distributions taken in 2015 or later, it also says taxpayers can apply a reasonable

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October IRA Deadlines

- 15th** Last day to recharacterize 2013 Roth IRA conversions
- 15th** Last day to withdraw prior year excess IRA and Roth IRA contributions and avoid the 6% penalty for 2013
- 31st** Last day for trustees of IRA trust beneficiaries who inherited in 2013 to provide documentation to IRA custodians or plan administrators

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FEBRUARY 20-21, 2015



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