



# ED SLOTT'S IRA ADVISOR

April 2021

Tax & Estate Planning for Your Retirement Savings

## WHAT'S INSIDE?

### Transferring Roth IRAs After a Gray Divorce

- Two Methods for Tax-Free Transfer
- Transfer of Roth 5-Year Forever Clock
- Transfer of 5-Year Clock for Roth Conversions
- Pro-Rata Transfer of Assets
- Tracking 5-Year Clocks in the Receiving Roth IRA

<Pages 1-4>

### Executive Summary

<Page 2>

### Maximize IRA Contributions by Avoiding These 6 Common Misconceptions

1. I Am Too Late
2. I Am Too Old
3. I Don't Have Any Earned Income
4. I Can't Afford to Contribute
5. My Income Is Too High
6. I Have a Retirement Plan at Work

<Pages 4-6>

### Insert: Tax Planning Charts

**GUEST IRA EXPERT:**  
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### Longevity Protection for Retirement Accounts

<Pages 6-8>

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## IRS Announcement: Tax Filing Extension

On March 17, 2021, the Treasury Department and the IRS announced that the federal income tax filing due date for individuals for the 2020 tax year has been extended to May 17, 2021 ([IRS Notice 2021-59](#)). Taxpayers will still need to file state income taxes. State filing and payment deadlines vary and are not always the same as the federal filing deadline. This extension also postpones the deadline for making 2020 prior-year contributions to traditional and Roth IRAs to May 17, 2021. (For taxpayers in Oklahoma, Louisiana, and Texas, the federal tax filing deadline had already been extended to June 15. As such, the IRA contribution deadline in those states is also June 15.)

## Transferring Roth IRAs After a Gray Divorce

There are some creative terms for the divorce of a mature couple. "Gray divorce," "silver splitter" and "diamond divorce" are just a few. While the overall divorce rate in the United States has gradually declined over the past decade, there were still more than 750,000 in 2019, and rates are increasing among older couples. Divorce is ubiquitous, and the subsequent division of assets can be a battle. The later in life a couple splits, the more accumulated assets they typically must divide...including Roth IRAs.

The rules governing what happens when a spouse of any age acquires a Roth IRA incident to divorce are unclear. There is no specific guidance in the Tax Code or in the regulations. However, there is definitive direction for a spouse who inherits a Roth IRA due to death. We look to these rules as an indication of how the IRS would

likely treat a Roth IRA being split or transferred in a divorce.

### Two Methods for Tax-Free Transfer

Both the Tax Code and the regulations address the treatment of IRAs in a divorce. [IRS Publication 590-A](#) gives additional detail and identifies two commonly used methods of transferring IRA assets to a spouse or former spouse: retitling/changing the name on the IRA; and making a direct transfer of IRA assets. If either of these methods is used, the transfer of IRA assets is tax-free. While the references in the Tax Code and regulations (as well as the language in Pub. 590-A) is specific to traditional IRAs, the Tax Code also tells us that, unless it says otherwise, Roth IRA rules will follow the traditional IRA rules.

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