



ED SLOTT'S IRA ADVISOR

© 2005 Ed Slott, CPA

October 2005

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

ATTENTION FINANCIAL ADVISORS:

- Get an Immediate Competitive Edge
- Become One of the Few True IRA Experts Now!

(See page 8)

"The safest way to double your money is to fold it over and put it in your pocket."

- Frank McKinney; a/k/a Kin Hubbard (1868 - 1930) cartoonist, journalist

REJECTED!

"Rejected" not only applies to basketball, it also applies to a new proposed ruling from IRS where a scheme to beat the IRS out of the tax on Roth conversions was shut down.

Our feature article "IRS Shuts Down Roth Conversion Annuity Valuation Scheme" gives the scoop on the new IRS proposed regulations where IRS stuffed the ball back in the face of promoters and advisors who were touting a "creative" tax strategy to significantly reduce the tax on a Roth conversion using annuities.

Here's what was going on. Advisors and promoters were using annuity valuation gimmicks to artificially

lower the value of annuities in the traditional IRA at the time the funds were converted to a Roth IRA. This way, the tax on the Roth conversion was greatly reduced. Then the value would spring back to its real value once the annuity was in the Roth IRA and the increase in value escaped taxation. This was ridiculous before, and it is illegal now.

IRS has spoken and has REJECTED this scheme. IRS released both temporary and proposed Roth IRA regulations that clearly prohibit reducing the valuation of annuities for Roth conversion purposes.



This month's guest IRA expert is William M. Upson, CLU, ChFC at Strategic Asset Management Group, in Walnut Creek, California. Bill's article "Long-Term Care for Your IRA" shows you several strategies you can use to make sure your IRA lasts as long as you do. For many people, the IRA is their largest single asset, yet they do little to insure that asset. Bill Upson shows you several ways to do just that.

For more IRA information, visit our website at www.ira-help.com.

Ed Slott, CPA
100 Merrick Road
Rockville Centre, NY 11570

WHAT'S INSIDE?

Feature Article

IRS Shuts Down Roth Conversion Annuity Valuation Scheme

- New Temporary Regulations
- Taxation of Roth IRA Conversions
- The RMD Problem
- Temporary Regulations are Not Temporary
- Effective Date

— Pages 2-4

IRS Rules Against Roth Conversion Scheme; Summary of Key Points

— Page 2

Fair Market Value of Annuity Contracts

— Page 3

Reg. § 1.408A-4T, Q & A-14

— Page 4

IRS Issues Regulations to Stop Similar Abuses with Life Insurance Values

— Page 5

Guest IRA Expert

William M. Upson
CLU, ChFC
Strategic Asset
Management Group
Long-Term Care for Your IRA

— Pages 5-7

To Order Call: (800) 663-1340

ED SLOTT'S IRA ADVISOR • OCTOBER 2005

1

To order Ed Slott's IRA Advisor,
Call Toll Free, 1-800-663-1340

Or Visit

<http://www.ira-help.com/order.shtml>