



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

"Then our new CEO backed up a moving van to the building and robbed us. At first we thought he was breaking the law, but he had a written opinion from his tax lawyer saying it was probably okay."

— Scott Adams, "Dilbert"

IRS Website Covers Abusive Tax Shelters Involving Retirement Plans

The IRS website now features information on abusive tax shelters involving IRAs, Roth IRAs, and other retirement plans. The objective is to warn promoters and advisors about the types of transactions it considers abusive and the consequences of participating in these schemes. The site describes listed transactions and highlights abuses in 412(i) plans, S Corp. ESOPs, and Roth IRAs. Read this before you or any of your clients even think about participating in one of these targeted activities. You can find this information online at www.irs.gov under the heading "information for:", then click on "Retirement Plans" and scroll down to "EP (Employee Plans) Abusive Tax Transactions."

New Rules for IRA Trusts

The IRS released final regulations that

revise the definition of trust income under Section 643(b) of the Internal Revenue Code. The new rules are effective January 2, 2004. So why do you care about this?

These rules affect IRA owners who have named their trust as their IRA beneficiary. The new IRS regulations will likely change the income payout that was originally planned for when the trust was created.

New IRS Trust Income Rules and How They Affect IRAs

(See pages 2-7)

The rules basically state that the IRS will recognize the state law definition of income. Many states have adopted the Uniform Principal and Income Act (UPAIA), Unitrust treatment, and/or Power of Adjustment provisions. If you are not familiar with these terms and are involved or will be involved with an IRA trust (or any trust that pays income to trust beneficiaries), you should immediately read this month's feature article, "New IRS Trust Income Rules and How They Affect IRAs."

For more IRA information, visit our Web site at www.iraahelp.com.

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