



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

The Retirement Savings Time Bomb ... and How To Defuse It

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"Winning can be defined as the science of being totally prepared."

— George Allen, Football Coach

Are your beneficiaries properly prepared? That's what this issue is all about, especially if you have more than one IRA beneficiary.

If your IRA beneficiary is going to be say, your three children, you'll want to be careful to set your IRA up correctly by splitting it up into several IRAs. This month's feature article "*Separate Account Confusion, Splitting IRAs with Multiple Beneficiaries*" addresses new problems created by the Final Regulations on distributions from retirement accounts.

By the time you finish with this you'll see why I recommend that IRA owners who name several beneficiaries split their IRAs and not leave it for the beneficiaries to take care of after their death.

No Bargains For IRA Owners

The President's new proposal to exempt certain dividends from income tax will have no effect on dividends earned in your retirement accounts since those dividends are already tax exempt. However, when the dividends are withdrawn, they will be taxable as ordinary income. This would be similar to having tax free municipal bonds in your IRA. The

income would have been tax free outside of your IRA, but if the bond is in your IRA, the otherwise tax free interest will be taxable when withdrawn.

72(t) Update

The IRS released its answers to frequently asked questions regarding Revenue Ruling 2002-62. You can view the full list at the link below:

<http://apps.irs.gov/retirement/article/0,,id=103045,00.html>

One of the more interesting answers was the last question on the list (reproduced below) which appears to open the door to Private Letter Rulings that may (or may not) allow variations of the three acceptable methods. We'll have to wait and see how the IRS rules when the first PLR requests are received.

Q: Are the methods contained in Rev. Rul. 2002-62 the only acceptable methods of meeting section

72(t)(2)(A)(iv) of the Code?

A: No. Another method may be used in a private letter ruling request, but, of course, it would be subject to individual analysis.

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

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Feature Article:

Separate Account Confusion ...

Splitting IRAs with Multiple Beneficiaries

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