



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

IRS Pardons Roth Converters

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"The point to remember is that what the government gives it must first take away."

– John Strider Coleman (1897-1958)
American business executive

The new distribution rules for plans and IRAs may have simplified many of the most confusing and draconian sections of the old rules, but complications and questions still exist.

The IRS is receiving comment letters that may lead to clarifications as to how some of the new rules are to be applied. Hopefully, any changes to be reflected in the Final Regulations will be in line with the uniformity theme of the new Proposed Regulations. We need to know how the rules will work in a variety of situations, many of which have yet to be addressed.

For example, one area of concern is what happens when a beneficiary dies in the post-death gap period, before officially becoming the designated beneficiary? In addition, there are many IRA beneficiaries who inherited from IRA owners who died before the new rules were in place. Will these beneficiaries be able to benefit from the new rules? In this month's feature article *"New IRA Uncertainties... Waiting for IRS to Fill*

in the Blanks on the New Regs" these situations and others are addressed.

You'll see that the new rules are not so simple after all.

In an update to the new rules, the IRS has said there may be a way to have the new rules apply to 2001 distributions from your company plan, even if the plan was not amended yet to reflect the new rules. This may save some plan participants thousands of dollars in tax this year. For details see *"Plan Participants Can Use New Rules"* on Page 6.

"IRS Pardons Illegal Roth Converters" on Page 7 highlights a soon to be published Private Letter Ruling that allowed taxpayers who converted to Roth IRAs back in 1998 to recharacterize those conversions now, in 2001. The deadline set by the IRS to recharacterize a 1998 Roth conversion was December 31, 1999. The extension for recharacterization was allowed for those who were not eligible to convert to a Roth because in 1998 (the year of the conversion) their income exceeded \$100,000.

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

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– Ed Slott, CPA

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