



# ED SLOTT'S IRA ADVISOR

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## TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

### **CAUTION: Managing a Relative's IRA May Be a Prohibited Transaction**

See page 7

*"Money doesn't make you happy. I now have \$50 million, but I was just as happy when I had \$48 million."  
-Arnold Schwarzenegger (1947- )*

#### **April 1 RMD Reminders**

If you or a client turned age 70½ during 2006, then your required beginning date is generally April 1, 2007. If you deferred your first required minimum distribution (RMD) to 2007, your first distribution year is still 2006 and you use the December 31, 2005 IRA balance. You also still have to take your 2007 RMD by the end of 2007.

#### **IRA Contributions**

This is the time of the year that most IRA contributions are being made, but they may or may not be deductible. If you are active in a company plan and your income exceeds certain amounts, then you cannot deduct your IRA contribution. This month's feature article "*Deductibility of IRA Contributions*" focuses on an unbelievable Tax Court case that will change what you thought you knew about the active participation rules. The case highlights a situation where an employee was not eligible to make a contribution

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to the company plan for 15 years, but was still considered active and denied a tax deduction for the IRA contribution.

This month's guest IRA expert is well-known Las Vegas attorney, Shannon L. Evans, the managing partner of Western IRA Funding, Ltd. Shannon's article "*Self-Directed IRA Investing – Diversifying for Bigger Returns*" shows you that there is more to IRA investing than the stock market. IRA investments such as land, first trust deeds, REITs and other non-traditional investments can pay off handsomely in an IRA. Shannon's article will open your eyes to some interesting IRA investment ideas for you and your clients.

I don't know of any financial advisor that hasn't opened an IRA for a family member. But this may trigger a prohibited transaction that results in the entire IRA being taxable. Find out what's at

stake in our article "*Managing a Relative's IRA – A Prohibited Transaction?*" on page 7. Every advisor needs to know about these rules.



For more IRA information, visit our website at [www.ira-help.com](http://www.ira-help.com).

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### WHAT'S INSIDE?

#### Feature Article

##### **Deductibility of IRA Contributions**

- What is Active Participation in a Plan?
- IRA Deduction Background
- Facts of the Case
- Who is an Active Participant?
- Dictionary Definition of "Active" and "Participant"
- What We Should Learn From This
- Our View: Congress Should Repeal the Active Participation Rules

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#### Guest IRA Expert

**Shannon L. Evans, Esq.**  
Western IRA Funding, Ltd.  
Las Vegas, NV

##### **Self-Directed IRA Investing - Diversifying for Bigger Returns**

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##### **Taxpayer Loses 10% Penalty Case**

##### **No Valid Exceptions**

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