



SINGER WEALTH

Keith Singer, JD CFP™

Reduce tax bill on your IRA

If you have a retirement account, it is not only important that you make smart investment decisions, but to also minimize the tax obligation that will be due to the government. Many people have been trained to defer taking any withdrawals until the government requires them to take money out to maximize the tax deferral.

In fact, the government recently extended the starting age of Required Minimum Distributions, (RMDs) to age 72.

However, along with that change, Congress changed the tax code to eliminate stretch IRAs. Under the new laws spouses can continue to defer over their lifetimes, less RMDs; however, your kids need to take all the money they inherit from your IRAs within 10 years.

Think about this. If your account averages a 7.2% growth rate it will double every 10 years. That means if you are 62 and have \$500,000 in your IRA by the time you are 72 it could be worth \$1,000,000. Previously, if you left that IRA to your kids, they could continue to defer distributions over their lifetimes. Now, when your kids inherit a \$1 million IRA, it could grow to \$2 million by the time they must cash it out.

How much tax will your kids owe on \$2 million of distributions? It depends on several factors: what

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tax rates are at the time, what state they live in, their marital status, and their other income that year. But under the scheduled tax brackets, that could be \$900,000 to \$1 million in taxes your kids will have to pay.

In some cases, the income from the IRA alone could put them in the highest tax bracket regardless of their income from work – even if Congress doesn't raise taxes in the future to offset the country's burgeoning national debt. The good news is most people can reduce the amount of tax paid by 70% to 80% if they implement the correct tax strategies. For a free report, text the word "Tax Report" to 954-462-3300.