

What You Need to Know About Year-End Financial Planning

Savvy Things to Help Get You Ready for 2011

1. Be organized and in control. It is easier than it sounds. Make sure you know what you own, where it's at, and how it's titled. Time and circumstance sometimes allow things to become disorganized – at best – and out of control – at worst. Check all property ownership (including ownership of life insurance). Know how all of your property is owned so you will know specifically who will receive it someday and what tax impact it may encounter when sold or inherited.
2. Take a look at your investments. Do you own investments you would be unwilling to buy today? If so, perhaps those assets could be deployed more effectively – or more safely – some other way. If you have long-held assets which have increased significantly in value think about selling them this year. Long-term capital gain rates may never be lower than right now – and you never know when a major market downturn may evaporate those current paper gains
3. Gather up all your important information and documents, and get them to a place where you and others who may be impacted by them can find them during a time of stress. Pivotal information would include identifying the location and nature of all of your property along with important papers like wills (being CERTAIN they are the most current), beneficiary forms (being ABSOLUTELY CERTAIN they are current, specific, captioned correctly), insurance policies, deeds, living wills, life support wishes, ethical wills, etc.
4. Do a comprehensive review of all your IRA and retirement plan beneficiary forms – make sure they are current based on recent events in your life and that they name beneficiaries you want – and include Social Security numbers when possible for identifying heirs to prevent confusion and (potentially expensive) dissention. For example, you would probably want to remove ex-spouses after a divorce and add a spouse after getting married. Amazing how often that is forgotten or overlooked! Make sure that you have specifically named both primary and contingent beneficiaries on your IRA or plan beneficiary forms. Bear in mind that IRAs and

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other retirement plans may fall under federal rules and not state laws where estates are normally managed and distributed. This factor alone can have tremendous impact on how money passes from one generation to the next.

5. Millions of "free dollars" are lost every year by people who simply fail to take advantage of employer contributions by their company to their 401(k) or 403(b) plan. At a minimum, contribute enough to your plan to qualify for full employer participation. And keep contributing all you can to all of your retirement plans to ensure that you are maximizing your future retirement savings.
6. Take a look at converting your current IRA to a Roth IRA. It may not work for you, but you have to admit that it would be nice to have money potentially insulated from all federal taxes forever! Also, if you already have a Roth IRA which has been devastated by market declines – yet you have already paid taxes on an amount higher than today's values – consider a Roth IRA recharacterization. It could give you a significant tax rebate.
7. Make Roth IRA contributions for children and grandchildren who have earned income; help parents with Roth conversions. It may not feel good to pay all those taxes ... but it may feel a whole lot worse potentially paying MUCH higher taxes down the line.
8. Almost indisputably, we are in an environment of higher taxation. There may never be a better time to pay taxes – as distasteful as that might sound – than right now. Some quick things to look at:
 - Tax free accounts (Roth IRAs and Roth 401ks)
 - Taxable accounts (traditional IRAs and 401ks)
 - Capital gain property (gains on these sales would be taxed at long-term capital gains)
 - Already taxed funds (regular non-IRA accounts)

Taxes – in their various and numerous manifestations – can be among the highest overall expenses for retirees. Survey how much access you will have to income in retirement – know how much you will actually keep after taxes. There are many dynamics in this area, such as the tax implications other sources of income could have on your Social Security benefits. For example, income from Roth IRAs and from annuities (when annuitized) could provide certain favorable tax protection. Know the cost of taking distributions from retirement accounts. Will they be subject to taxes or penalties and the amount of those potential taxes and penalties? When will retirement income be available to you without penalties or excessive taxes?

9. If you have a 401(k) which has had contributions in the form of company stock, there may be special tax considerations for you. Called Net Unrealized Appreciation (NUA), check on alternatives available to you; be cau-

tious, as these rules can be tricky.

10. Check the cost basis in your IRAs and 401ks, meaning nondeductible contributions you may have made. You need to keep track of these now to avoid paying tax again on these funds when they are withdrawn.
11. RMDs? For some people Required Minimum Distributions are a continuous source of irritation. The rules say that at 70½, you MUST begin taking money from your retirement account(s) such as IRAs and 401(k)s. But what if you don't need the money?!
The penalties for making mistakes regarding RMDs can be horrendous. Be careful. Make sure you know when you must begin taking required minimum distributions. Beneficiaries are also subject to these rules. If you are already taking these distributions, make sure you continue taking them timely each year, and that you withdraw the correct amount. The amount changes each year.
12. When the time comes to do something really nice for your family (and/or special causes)... When you are through using your money, you obviously want to have your heirs have it promptly and as intact as possible. Review your "passing on" plan. What do you have to pass on? How will it get there? Who do you want to get it? How much is going to go straight to Uncle Sam?
13. Calculate the value of all of your assets, and find out if there will be an estate tax due upon your death. Current rules are in flux, so it is all the more important to stay on top of these issues.
14. Check that your current will is actually current – and does what you really want it to do. Think about the provisions of your will. They may be out of date – naming persons and conditions that might no longer be part of your plan. Who's to be your personal representative? Does he/she know their responsibilities? Your estate attorney should explain these responsibilities to you and the people you name as personal representatives or trustees.
15. Make sure you have a current durable power of attorney – naming the person(s) you want to make financial decisions if you are unable to.
16. Remove some of the anguish for your family. If you have wishes regarding your medical treatment during near-end-of-life circumstances, make certain they are spelled out and accessible. Don't put your loved ones in the position of having to make decisions inconsistent with your wishes. Check that you have current medical directives in place – clearly naming the people you want to make medical decisions for you. Some easy things to take care of now – but very difficult later – include having a current:
 - Health care proxy
 - Living will
 - HIPAA waiver (Health Insurance Portability and Accountability Act

of 1996) to let people you name access to your medical records.

- Ethical Will – writing down you values, thoughts, experiences, and recollections that are important to you, and have helped define you and your life.
17. Discuss with your beneficiaries the mechanics of what to do when they inherit your retirement accounts– your IRAs, Roth IRAs, 401ks, 403bs, and other retirement accounts.
 18. Make sure you have a knowledgeable estate attorney who has specialized expertise on how to work with retirement accounts included in your estate, including IRA trusts.
 19. Check your current financial advisor – does she or he have the appropriate and specialized financial or tax knowledge in managing the taxes on distributions from retirement accounts.
 20. Have a family get-together to talk about all of these issues. It's time to talk about your money with your family.