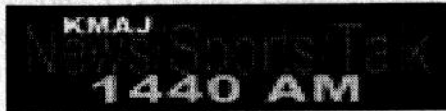


Stretch Your IRA

By Roger Shumaker

As heard on KMAJ 1440 AM



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Are you savvy about IRAs? Imagine this scenario.

John's 401(k) and Mary's IRAs are worth \$500,000. John, age 70 and Mary, age 68 will both be taking their minimum distributions from their qualified plans after the age of 70 ½. They receive more than \$18,000 per year of taxable income from their IRAs; and the income will increase each year.

Their IRAs are earning around 8% per year. Even with the distributions they are taking; their accounts will grow to more than \$800,000 by the time they pass their inheritance on to their children at their deaths. Now comes the surprise.

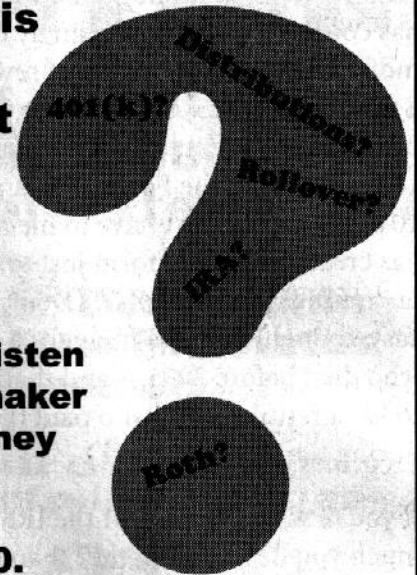
Their accountant told them that at their deaths, assuming the laws do not change; Federal and Kansas State Income tax alone could reduce their children's inheritance by as much as 41.45%³. Additionally, depending on the size of the estate, they could also potentially face Federal and State Estate Taxes. After 40 plus years of hard work, saving and living a frugal lifestyle, their largest asset is going to be eaten up by income taxes at their deaths. They are not only shocked but are angry!

For John and Mary and other IRA investors, there's good news! Congress recently made sweeping changes to distribution requirements of IRAs and other tax-qualified plans. Under the new rules, John and Mary would be able to avoid the lump-sum income tax on their IRAs at their deaths and stretch the income over their children's and grandchildren's lifetimes. This planning technique allows John and Mary to increase the amount of money their IRAs deliver to their heirs from \$480,000 to more than \$4.1 million dollars.

A large consideration as to whether this type of strategy is possibly right for you is if you will need or want to take out more than the Minimum Required Distributions. Stretch IRAs are usually best suited for

So many financial questions..

How will this affect my retirement plans?



For answers, listen to Roger Shumaker on "Senior Money Talks," 9 am Saturdays on KMAJ AM-1440.

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investors who will not need the money in the account for their own retirement. Simply put, for the stretch concept to work well, the funds need to stay in the account for as long as possible.

A competent advisor can help you learn how to set up your IRA so that your heirs avoid a lump-sum income tax at your death.

Please consult with a qualified professional to see if any of these ideas are appropriate for you.

Roger Shumaker is a local Retirement Planning Specialist. He is also a local Financial Radio Personality, heard on KMAJ 1440 AM Saturday mornings at 9:00 am. His company is Retirement & Tax Solutions. He may be reached locally @ 228-0222 or 1-800-462-4582.

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¹The life expectancy for each account based on the Uniform Distribution Period Table

²Assumes John dies at age 82 and Mary dies 1 year later, and the IRA returns an 8% annual compounding rate. No particular investment.

³35% Federal Tax Bracket, and 6.45% Kansas Income Tax per 2005 Tax Codes. Source IRS.Gov and KS.Revenue.org. This is based upon stretching the distribution over the life expectancy of the beneficiaries equally at the 8% annual compounding rate. First beneficiary was born 01/15/1962 and the second was born 01/15/1968.

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