

IRA DATES & MILESTONES TO REMEMBER

These are the dates (and deadlines) too often forgotten.

Presented by Brett Blair

IRAs come with complex rules and regulations. As these rules and regulations are occasionally forgotten or misinterpreted by IRA owners, here is a refresher.

Age 70½: Required Minimum Distributions (RMDs). Once you reach age 70½, you are required to make withdrawals from any traditional (“regular”) IRAs that you have established. (Original owners of Roth IRAs never have to take RMDs.)¹

****You must take your initial RMD from a traditional IRA by April 1 of the year following the year during which you turn 70½. You may not want to wait that long, however.**

****If you do wait that long and choose to take your first RMD in the year *after* you turn 70½ rather than the year *during* which you turn 70½, you have to take two RMDs in that year after you turn 70½ - one by April 1, and another by December 31.**

****In all succeeding years, you must take your annual RMD by December 31.¹**

Age 59½: option to make penalty-free IRA withdrawals. With few exceptions (see below), original owners of Roth and traditional IRAs must wait until age 59½ to take money out of their IRA without a 10% early withdrawal penalty. The IRS defines “age 59½” as the point at which you are midway through your 59th year.²

Age 59½: option to donate IRA funds to charity. While the IRA charitable rollover is no more, IRA owners aged 59½ and older can still distribute IRA assets to a qualified charity. The deadline to do so for a particular tax year is December 31. One problem: your gift to charity will also boost your adjusted gross income (AGI). As with an RMD, this type of IRA distribution qualifies as taxable income. You *can* claim a charitable deduction as you report the distribution as income to the IRS.³

The timeline for 72(t) payments. These are the special periodic payments by which you can exempt yourself from the 10% early withdrawal penalty normally due on IRA withdrawals prior to age 59½. In the 72(t) option, equal payments (distributions) from your IRA are scheduled for five or more years or until you hit age 59½, whichever time frame is longer. The time frame reaches its limit when a) you are exactly 59 years and six months old or b) exactly five years have passed since the first of the periodic payments.²

The 12-month limit on IRA-to-IRA rollovers. There is no annual deadline for these rollovers, but there is a 12-month time limit affecting how many you can make. You can only make one IRA-to-IRA rollover per IRA account per year, whether the IRA is a traditional IRA or a Roth. So if you have three IRAs, you can make a total of three rollovers (one per IRA) in a 12-month period, be they IRA-to-IRA rollovers or Roth-to-Roth rollovers.⁴

The 5-year rule on Roth IRA conversions. You may know about the five-year rule here - when you convert a traditional IRA to a Roth IRA, you have to wait until you either a) turn 59 1/2 or b) five years have passed before you can take a penalty-free distribution of a Roth IRA conversion. The asterisk comes in terms of measuring those five years. It isn't five years from the day you complete the Roth conversion; the five-year measurement actually starts on January 1 of the year in which the funds are first deposited in the Roth IRA.²

The 5-year rule for Roth IRA qualified distributions. Here we have a slightly different circumstance, and a slightly different five-year rule. You may know that once your first Roth IRA is five years old, you can start taking tax-free and penalty-free withdrawals from it under the following circumstances: a) you are age 59½ or older, b) you are disabled, or c) you are a first-time homebuyer using Roth IRA assets for that purpose.²

With regard to qualified distributions, when is your Roth IRA judged to have turned five? It depends on which calendar year you earmarked your first Roth IRA contribution for - for example, you can make a 2012 Roth IRA contribution up until April 15, 2013. The five-year time frame starts on January 1 of the calendar year for which the contribution is designated. An interesting wrinkle: if you open additional Roth IRAs in the future, that initial five-year time frame also applies to them; there is no reset per new Roth IRA.²

The deadline(s) for RMDs made by non-spouse beneficiaries. If you are a non-spouse beneficiary of someone else's IRA, you usually have to start taking RMDs from that IRA by December 31 of the year after the death of that IRA owner. In other words, you have from 12-24 months to take that first RMD. One exception comes if an IRA account holder dies after age 70½ *without* taking his or her initial RMD. If that is the case, then the non-spouse beneficiary of the IRA will end up having to take the initial RMD from that IRA by the end of the calendar year in which the deceased IRA owner has passed away.²

Brett Blair may be reached at 972-535-4060 or bblair@upstreamip.com .
www.blairfinancialadvisors.com

This material was prepared by MarketingLibrary.Net Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. Marketing Library.Net Inc. is not affiliated with any broker or brokerage firm that may be providing this information to you. All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is not a solicitation or a recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Citations.

1 - www.irs.gov/retirement/article/0,,id=96989,00.html#2 [1/5/12]

2 - www.smartmoney.com/retirement/planning/iras-5-timing-rules-you-need-to-understand-1337271033972/ [3/5/12]

3 - counselprotect.com/making-charitable-ira-donations-in-2012/ [4/23/12]

4 - www.theslottreport.com/2012/05/one-ira-rollover-per-year-per-ira.html [5/4/12]

