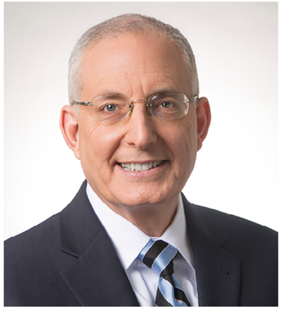

ED SLOTT'S IRA ADVISOR

October 2020

Tax & Estate Planning for Your Retirement Savings

WHAT'S **INSIDE?**

Join the Retirement Planning Conversation

Important Retirement Account Deadlines Loom

For many of us, 2020 cannot end soon enough. Before that happens, however, a number of crucial retirement account deadlines loom. Missing any of these targets could deprive account owners of valuable tax benefits. Since many of these actions require cooperation from third-party IRA custodians and plan administrators, it is crucial not to wait until the last minute to act.

Returning Unwanted RMDs After August 31

One deadline that individuals do ***not*** have to worry about this year is taking required minimum distributions (RMDs) by year's end — *the CARES Act waived 2020 RMDs.*

Also included in this waiver were 2019 RMDs not due until April 1, 2020 and not taken in 2019. The waiver applies to RMDs from IRAs and company plans. It also applies to beneficiaries of inherited IRAs, inherited Roth IRAs and inherited plan accounts.

In Notice 2020-51, the IRS provided an extension until August 31, 2020 for all individuals subject to RMDs who needed more time — *beyond the usual 60 days* — to repay an unwanted RMD received earlier this year.

Now that August 31 has passed, some 2020 RMDs can still be repaid, but the regular rollover rules will again apply. This means:

- A rollover must be done within 60 days of receipt of the funds;
- The once-per-year IRA rollover rule applies (a rollover cannot be done within 12 months of a prior distribution that had been rolled over); *and*
- A non-spouse beneficiary cannot do a rollover.

However, under the CARES Act, a "qualified individual" still has plenty of time to repay the RMD. A qualified individual is someone who has been diagnosed with COVID-19 or whose spouse or dependent has been diagnosed. The definition also includes someone who experiences adverse financial difficulties because of a job-related event — *such as being furloughed, laid off or a reduction of hours or pay* — that impacted that person or spouse or a member of the person's household, resulting from COVID-19.

Under the CARES Act, a distribution (including an RMD) of up to $100,000 paid to a qualified individual before December 31, 2020, can be repaid tax-free within three years to an IRA or to a company plan that allows rollovers. The three-year period begins on the day after the date the distribution is received.

Executive Summary

Important Retirement Account Deadlines Loom

- For SIMPLE IRAs, the deadline for establishing a new plan for 2020 is October 1, 2020; 2019 employer contributions for existing SIMPLE IRA plans can be made as late as the 2019 business tax return deadline (including extensions), which is October 15, 2020 for many small business owners.
- A new solo 401(k) for 2020 must be adopted by December 31, 2020.
- An excess 2019 contribution must be withdrawn by October 15, 2020. If that deadline is missed, the excess amount will be subject to a 6% penalty each year it remains in the IRA.
- The CARES Act dictates that CRDs must be taken by December 30, 2020 — *not December 31, 2020.*
- A 2020 QCD must be distributed from the IRA as a tax-free transfer to the charity by December 31, 2020.
- Clients using the NUA strategy must ensure the lump sum distribution is completed by December 31.

IRS Issues SECURE Act Guidance

- Notice 2020-68 states financial institutions are not required to accept post-age 70½ IRA contributions.
- Any post-age 70½ contributions made for a year when an RMD must be taken will not offset an RMD.
- Notice 2020-68 explains how making deductible IRA contributions after age 70½ can limit an individual's ability to do tax-free QCDs.
- The SECURE Act adds a 10% penalty exception for birth or adoption. Both parents can receive penalty-free distributions, and each birth or adoption qualifies for its own eligible distribution.
- An "eligible adoptee" includes any individual who has not attained age 18 or is physically or mentally incapable of self-support. To be considered "physically or mentally incapable of self-support," the strict standard used to determine eligibility for the disability exception applies.
- Employer plans do not have to offer qualified birth or adoption distributions to participants. However, if an individual is otherwise eligible for an in-service distribution from the plan and meets the requirements for a qualified birth or adoption distribution, the individual may treat the distribution as a qualified birth or adoption distribution on the federal income tax return.

Learning to Lean on Life Insurance

- A tax rate hike in 2026 is a matter of law. Current tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% will revert to previous rates of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%.
- Encourage clients to fill up a low tax bracket with traditional IRA withdrawals now; a married couple can have taxable income (after deductions) up to $171,050 and remain in the 22% bracket this year.
- Moving money from a tax-deferred IRA to a tax-free life insurance policy, at today's tax rates, can deliver more money to heirs than holding on to an IRA, under current rules.
- Naming a special needs trust as a life insurance policy beneficiary, with detailed instructions, is a more efficient way to provide lifelong care vs. naming a special needs trust as IRA beneficiary.

Example: Amanda and her daughter, Carly, share the rent on their apartment. Amanda received an RMD of $10,000 from her IRA on March 1, 2020. Even though RMDs were subsequently waived by the CARES Act and could have been rolled back by August 31, 2020, Amanda is unable to repay the $10,000.

In November 2020, Carly is furloughed on account of COVID-19. She is unable to continue paying her share of the rent, forcing Amanda to shoulder the entire load. Amanda is now a qualified individual, because she has suffered adverse financial consequences on account of a member of her household being furloughed due to the virus.

If Amanda's financial situation improves, she has until March 2, 2023 to repay all or part of her distribution to her IRA. If Amanda repays the RMD after paying taxes on it, she can file an amended tax return to recoup those taxes.

Small Business Retirement Plan Deadlines

SIMPLE IRAs, SEP IRAs and solo 401(k) plans are popular retirement plan options for small businesses, including self-employed individuals. For businesses that have one of these plans or are considering establishing a new plan, there are several upcoming deadlines to keep in mind.

For current business owners who wish to establish a new SIMPLE IRA plan for 2020, the deadline is October 1, 2020. (For owners that start new businesses after October 1, 2020, the SIMPLE IRA must be set up as soon as administratively feasible, but no later than December 31, 2020.)

For existing SIMPLE IRAs, 2019 employer contributions can be made as late as the 2019 corporate tax return deadline (including extensions). That deadline differs depending on the type of business entity, but for many small business owners with tax return extensions, it will be October 15, 2020.

Keep in mind that elective deferrals must be deposited to an employee's SIMPLE IRA no later than 30 days after the end of the month in which the amounts would otherwise have been payable. (For self-employed persons with no common-law employees, the latest date for depositing elective deferrals for a calendar year is 30 days after the end of the year, or January 30.)

The deadline for establishing a new SEP IRA plan for 2019 or to make 2019 contributions to an existing SEP is the business's tax-filing deadline (including extensions) for the 2019 return. For certain types of business entities that have extended their tax return, that deadline is October 15, 2020.

Both elective deferrals and employer contributions to an existing solo 401(k) plan for 2019 can also be made as late as the filing deadline (including extensions) for the 2019 tax return.

Because of the timing rules for 401(k) deferral elections, however, a new solo 401(k) cannot be established after the end of the year with a prior-year effective date. So, a business owner wishing to establish a new solo 401(k) for 2020 must adopt it by December 31, 2020.

Excess IRA Contributions and Recharacterization

All too often, individuals make IRA contributions above the allowable amount. Examples of excess contributions include:

- Exceeding the annual contribution dollar limit (for 2020, $6,000 + an additional $1,000 for someone age 50 or older);
- Making a Roth IRA contribution when a person exceeds the income limit (for 2020, $206,000 if married filing jointly or $139,000 if single); *or*
- Rolling over an amount not eligible for rollover (e.g., beyond the 60-day deadline).

Fortunately, there is an easy fix. Correcting an excess contribution to either a traditional IRA or Roth IRA is accomplished by withdrawing the contribution plus net income attributable (earnings or losses in the IRA account attributable to the excess contribution). An excess 2019 contribution must be withdrawn by October 15, 2020. If that deadline is missed, the excess amount will be subject to a 6% penalty each year it remains in the IRA.

> Correcting an excess contribution to either a traditional IRA or Roth IRA is accomplished by withdrawing the contribution plus net income attributable.

An excess Roth IRA contribution (when a person is above the income limits) can also be fixed by recharacterizing it as a traditional IRA contribution. Similarly, a traditional IRA contribution can be recharacterized as a Roth contribution if, for example, it is later found non-deductible and the account owner would prefer a Roth. The contribution, plus net income attributable, must be recharacterized, and the deadline for recharacterizing a 2019 contribution is also October 15, 2020.

Remember: As a result of the 2017 Tax Cuts and Jobs Act, Roth *conversions* can no longer be recharacterized.

Coronavirus-Related Distributions

As mentioned, under the CARES Act, qualified individuals can withdraw up to $100,000 of coronavirus-related distributions (CRDs) from IRAs and/or company plans and repay them over a three-year period. CRDs are also exempt from the 10% early distribution penalty, and income on the distribution can be applied entirely to 2020 or spread out evenly over 2020, 2021 and 2022 tax returns.

Although it is commonly reported that CRDs are available for any eligible 2020 distribution, the CARES Act actually dictates that they must be taken by December 30, 2020 — *not December 31, 2020.*

Employer plans are not required to offer CRDs as a new distributable event. However, a qualified client who takes a regular plan distribution (e.g., a hardship withdrawal) can treat the distribution as a CRD and reap the benefits of the CRD tax breaks.

Since there may be a flood of CRD requests at the end of the year, make sure those in need of a CRD act now.

Qualified Charitable Distributions

Many advisors have encouraged clients to use qualified charitable distributions (QCDs) as a way to offset otherwise-taxable RMDs. Even though RMDs are waived for 2020, QCDs remain a viable tax break for charitably inclined clients, especially those who can no longer itemize charitable contributions.

IRA owners and beneficiaries who are age 70½ or older are eligible to transfer up to $100,000 annually directly from their IRA to an eligible charity. Since a 2020 QCD must be received (and a checkbook IRA check must be cashed) by the charity by December 31, 2020, waiting until the end of the year may not give your client enough time. It's not too soon to start identifying and contacting clients and prospects who may benefit from a QCD.

Net Unrealized Appreciation

December 31, 2020 is also a critical deadline for clients taking advantage of the net unrealized appreciation (NUA) strategy. This tax break allows clients with highly appreciated company stock in their 401(k) plan to take a plan distribution and pay only ordinary income tax on the cost basis of the shares — *not the total value of the shares.*

The difference between the total value and the cost basis (the NUA) is not taxable until the shares are sold. Taxes on those sales are based on favorable long-term capital gains rates — *even if the sale takes place within one year.*

One condition for using the NUA strategy is that, with a few limited exceptions, the participant's entire workplace retirement account must be emptied within one calendar year. Therefore, clients using the NUA strategy should be strongly encouraged to start the process early enough to ensure the lump sum distribution is completed by December 31. ■

For key deadlines and timely tax strategies to implement before December 31, 2020, download our free 2020 "Year-End Checklist" at irahelp.com/2020checklist.

IRS Issues SECURE Act Guidance

The SECURE Act was a game changer for retirement accounts. Many of the provisions in this new law became effective January 1, 2020, forcing us all to navigate the uncharted territory of a fresh set of rules. In response, the IRS has issued guidance, Notice 2020-68, addressing areas where questions about the SECURE Act need immediate answers.

IRA Contributions After Age 70½

One of the more unpopular IRA rules has always been the restriction preventing those age 70½ or older from contributing to a traditional IRA, even if they are still working. The SECURE Act eliminated this rule beginning in 2020 and has permitted individuals who are age 70½ or older to make traditional IRA contributions.

Somewhat surprising, Notice 2020-68 says that financial institutions are not required to accept these post-age 70½ IRA contributions. (It's unclear why a custodian would choose to refuse this new source of funds.) Any financial institution allowing post-70½ contributions will be required to amend its IRA contracts and update the disclosure statement that must be given to IRA owners. However, these amendments and updates can be delayed until at least December 31, 2022.

Notice 2020-68 says that financial institutions are not required to accept these post-age 70½ IRA contributions.

The Notice confirms that any contributions made for a year when an RMD must be taken will not offset an RMD. According to the IRS, contributions and distributions are separate transactions and are handled independently.

Example 1: Fatima, age 74, has an RMD for 2021 of $30,000. She makes a $6,000 IRA contribution for 2021. Her RMD remains $30,000 and is not offset by the $6,000 IRA contribution.

The Notice also explains how making deductible IRA contributions after age 70½ can limit an individual's ability to do tax-free qualified charitable distributions (QCDs). The Notice gives an example similar to the following of the complicated formula applicable in these cases.

Example 2: Amir, age 75, makes $5,000 deductible traditional IRA contributions for both 2020 and 2021, but none for 2022. He does not do a QCD for 2020 but does a QCD of 6,000 for 2021 and a QCD of $6,500 for 2022.

To determine the tax-free QCD amount for 2021, Amir's $6,000 QCD is reduced by the aggregate amount of post-age 70½ contributions for 2021 and earlier taxable years. For Amir, these amounts are $5,000 for each year, 2020 and 2021, resulting in his entire 2021 QCD becoming taxable ($6,000 - $10,000 = -$4,000).

To determine the tax-free QCD amount for 2022, Amir's $6,500 QCD is reduced by the portion of the aggregate amount of post-age 70½ deductible contributions still remaining (i.e., not used up offsetting tax-free QCDs in prior years). Amir has an outstanding aggregate amount of $4,000 post-age 70½ deductible contributions. The tax-free portion of his $6,500 QCD is limited to $2,500 in 2022 ($6,500 - $4,000 = $2,500).

In future years, Amir makes no more deductible IRA contributions, and his $10,000 total post-age 70½ deductible contributions from 2020 and 2021 have been completely used up (offsetting all or a portion of his QCDs in 2021 and 2022). Since he has no amount of post-age 70½ contributions remaining, future QCDs will not be offset and will be fully tax-free.

While the IRS guidance is helpful to confirm exactly how the formula works, the bottom line is that it's better to avoid this complexity altogether. IRA owners should not make deductible IRA contributions at age 70½ or later if they plan to also do QCDs.

Roth IRA contributions are a better strategy as they will not negatively impact a QCD. Or, for married couples, consider having one spouse make deductible IRA contributions while the other does a QCD. (For more information on the interaction between QCDs and deductible traditional IRA contributions, please see the June 2020 issue of *Ed Slott's IRA Advisor*.)

Penalty-Free Distributions for Birth or Adoption

The SECURE Act has added a new 10% penalty exception for birth or adoption. This exception is limited to $5,000 per child, and the exception applies to IRAs and defined contribution plans.

As this provision became effective on January 1, 2020, there have been many questions, especially from plan administrators, as participants have attempted to take advantage of the new rules.

The Notice confirms that both parents can receive penalty-free distributions. Also, each birth or adoption qualifies for its own eligible distribution.

Example 3: On January 26, 2020, Pablo and June became the proud parents of twin boys. Pablo, age 35, can withdraw $10,000 penalty-free from his 401(k), and June, age 33, can withdraw $10,000 penalty-free from her IRA as qualified birth or adoption distributions.

Additionally, Notice 2020-68 clarifies that to qualify for the exception, the distribution must be made during the one-year period beginning on the date on which the child is born or the legal adoption is finalized. To qualify for this exception, the retirement account owner must include the name, age, and the taxpayer identification number (TIN) of the child or eligible adoptee on the tax return for the year in which the distribution is made.

The Notice also gives more details about who qualifies as "an eligible adoptee." An eligible adoptee includes any individual who has not attained age 18 or is physically or mentally incapable of self-support. To be considered "physically or mentally incapable of self-support," the strict standard used to determine eligibility for the disability exception to the 10% penalty under the tax code applies.

Example 4: Mark and Maya are 55-year-old foster parents to two boys: 17-year old Jack and 24-year old James. James has struggled his entire life, as he is mentally incapable of self-support.

Mark and Maya decided to officially adopt both Jack and James, and the adoption process was finalized on June 1, 2020.

Mark and Maya will each withdraw $10,000 ($20,000 combined total) from their IRAs before June 1, 2021. Since the withdrawals are qualified, Mark and Maya will not have to pay the 10% early withdrawal penalty, but they will be taxed on the withdrawals. Mark and Maya did their homework. Both Jack and James are eligible adoptees since Jack is under age 18 and James is considered disabled under the tax code.

> **Notice 2020-68 clarifies that to qualify for the exception, the distribution must be made during the one-year period beginning on the date on which the child is born or the legal adoption is finalized.**

Oddly, the Notice makes it clear that the definition of an eligible adoptee does not include an individual who is the child of the taxpayer's spouse.

Example 5: Jerry and Wendy have been married for 5 years and Jerry has a great relationship with Wendy's son from a prior marriage, Spencer, age 15. In June of 2020, Jerry legally adopted Spencer. Jerry cannot take a qualified adoption distribution from his IRA because Spencer is his wife's son.

Employer plans do not have to offer qualified birth or adoption distributions to participants. However, if an individual is otherwise eligible for an in-service distribution from the plan and meets the requirements for a qualified birth or adoption distribution, the individual may treat the distribution as a qualified birth or adoption distribution on the federal income tax return.

Example 6: Miguel's son was born in April 2020. His 401(k) plan does not offer qualified birth or adoption distributions, but Miguel is eligible for an in-service distribution. Miguel can treat a distribution of up to $5,000 from the plan as a qualified birth or adoption distribution on his tax return. The distribution would be taxable but not subject to the 10% penalty.

The SECURE Act allows an individual receiving a qualified birth or adoption distribution to repay all or part of the distribution at any time to an eligible retirement account. While the new guidance does not give much insight on how repayments will be handled, it does say that more information on recontributions is forthcoming.

It is important to remember that a distribution taken for qualified birth or adoption expenses is still subject to tax. Tapping a retirement account, even with no penalty, should be avoided unless it is absolutely necessary.

More Areas of Guidance

The SECURE Act allows foster care workers to make nondeductible IRA contributions and after-tax company plan contributions from "difficulty of care" payments from their employer — *even though those payments are non-taxable.* The Notice addresses some issues for employer plans surrounding these contributions and says that further guidance on handling the contributions to IRAs will be issued in the future.

Notice 2020-68 also addresses two changes made by a separate law — *the Bipartisan American Miners Act of 2019* — passed at the same time as the SECURE Act. The first change allows 457(b) plans for state and local government workers to permit in-service distributions as early as the calendar year in which the employee attains age 59½. The second change permits defined benefit pension plans to lower the minimum age for in-service distributions from age 62 to age 59½. Notice 2020-68 makes clear that these changes are optional — *not mandatory.*

Further Guidance Needed

Notice 2020-68 does not address one of the most significant SECURE Act changes: the new rules for post-death beneficiary distributions. Those rules eliminated the stretch IRA for most non-spouse beneficiaries, replacing it with a 10-year payout period. Many questions on these new rules for inherited accounts remain unanswered. Hopefully, guidance on these critical issues will be released soon. ■

Learning to Lean on Life Insurance

Guest Expert

Brad Pistole, CFF®, CAS®

Trinity Insurance & Financial Services

Ozark, MO

The SECURE Act's snapping of stretch IRAs may be a blessing in disguise. Recent events have dimmed the allure of extended tax deferral, which had been the key advantage of spreading IRA distributions over many years. Going forward, the combination of retirement planning and estate planning should be reviewed. Multiple assets might be used in a comprehensive approach to provide tax-risk diversification, and many clients will benefit by including permanent life insurance in this mix.

Imperfect 10

In brief, the SECURE Act limits most non-spouse beneficiaries of retirement accounts to 10 years of further compounding. By that deadline, accounts must be emptied with distributions added to the recipient's other taxable income and taxed at ordinary rates.

The catch: *What will those ordinary income tax rates be in 2030, 2040, etc., when today's clients are taking required distributions and their beneficiaries continue to take withdrawals?* Deferring today's income that would have been taxed at, say, 28% may not prove to be a wise choice if the money eventually will face 30%, 40%, or even 50% in tax on distributions.

Future tax rates are unknowable, but it's likely those rates will be moving higher rather than lower. Already, a tax-rate hike in 2026 is a matter of law. Current tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% will revert to previous rates of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%.

Meanwhile, the COVID-19 pandemic of 2020 and the resulting economic lockdown has led to enormous stimulus by the federal government. As Ed Slott said in May, "Taxes are going to go up! We just wrote a 2 trillion dollar check from an account with no money in it."

In brief, the SECURE Act limits most non-spouse beneficiaries of retirement accounts to 10 years of further compounding.

Going Low

If tomorrow's tax rates are likely to be higher, it follows that today's tax rates are relatively low. Therefore, clients may want to take advantage of low tax rates for 2020.

One basic tactic is to encourage clients to fill up a low tax bracket with traditional IRA withdrawals. For example, a married couple can have taxable income (after deductions) up to $171,050 and remain in the 22% bracket this year.

Example: Ann and Bart had taxable income of $125,000 in 2019 and expect a similar total this year. They could take, say, $45,000 from their IRAs this year and owe only $9,900 in tax, at 22%.

After-tax, Ann and Bart would net over $35,000 from $45,000 in IRA withdrawals. This might be spent if cash flow is tight or moved to a Roth IRA via a conversion, putting some money into a potentially tax-free asset.

A better choice, for some clients, would be to put that $35,000 into a permanent life insurance policy. This can go on for multiple years, as long as they can take money from their IRAs at modest tax rates.

Avoiding Taxes

Ann and Bart could buy a policy on the older spouse, payable to the younger. Or, a second-to-die policy could eventually go to their children.

Depending on the age and health of the insured individuals, the insurance policy likely would have a death benefit well into six or even seven figures. Further, the life insurance proceeds would be free of income tax. (It's possible that the tax-free treatment of insurance death benefits might be revoked, but it's much more likely that Congress will address tax rates rather than life insurance outcomes.)

Beyond income tax changes, estate tax vulnerability might be increased by future legislation. Concerned clients could avoid estate tax by holding the policy in an irrevocable life insurance trust, a plan that offers other benefits such as protection from creditors.

The bottom line is that a properly structured life insurance policy is guaranteed to provide beneficiaries with a substantial payout that can avoid income tax. The amount passed on to beneficiaries probably will be much larger than the ultimate payout from an inherited IRA, after tax, especially considering what future tax rates on IRA distributions might be.

In Case of Emergency

What's more, a permanent life policy can be much more versatile than an IRA. Any growth in the policy's cash value account could be tax-free. If there's a need, that cash value can be tapped, untaxed, via certain amounts of withdrawals and policy loans. Such access may help provide needed money without having to take taxable distributions from an IRA and possibly move into a higher bracket.

Also, various riders might be added to a life insurance policy. A long-term care rider, for example, could deliver funds if the policyholder requires specified services. While it's true that a long-term care payout would reduce the eventual death benefit, having this source of money may be a better choice than relying upon future beneficiaries to pay nursing home bills.

Bountiful Benefits

Moving money from a tax-deferred IRA to a tax-free life insurance policy, at today's tax rates, can deliver more money to heirs than holding on to an IRA, under current rules. In addition, using life insurance keeps more control in the hands of the policyholder and the eventual policy beneficiaries.

A life insurance policyholder has no required minimum distributions (RMDs) at any age, whereas IRA owners take RMDs after age 72. Insurance beneficiaries also have no constraints on how they use death benefits received; IRA beneficiaries either have RMDs or a 10-year limit before a 100% drawdown.

Moving money from a tax-deferred IRA to a tax-free life insurance policy, at today's tax rates, can deliver more money to heirs than holding on to an IRA, under current rules.

Life insurance is regulated, to be sure, but the rules aren't as strict as they may be for IRAs. For instance, most new non-spouse IRA beneficiaries must track the account and deplete it fully by the 10-year deadline, or face a 50% penalty. Life insurance proceeds have no comparable deadlines or penalties.

Stretching an IRA can be complicated for clients in second marriages, with children from a former spouse. A qualified terminable interest property (QTIP) trust may be used to provide for both the surviving spouse (income) and the children (remainder) but setting up the trust can be complicated, and the beneficiaries will have conflicting goals.

Drawing down an IRA to provide life insurance for one side can be a simpler solution, while the other side can inherit other assets when the remarried parent dies.

Yet another factor to consider is that some clients will have a loved one with special needs. Often, naming a special needs trust as the policy beneficiary, with detailed instructions, is a more efficient way to provide lifelong care than naming a special needs trust as IRA beneficiary.

ED SLOTT'S
IRA ADVISOR

Editors-in-Chief
Ed Slott, CPA

Contributing Writers
Sarah Brenner, JD
Andy Ives, CFP®, AIF®
Ian Berger, JD

Copy Editor
Ryan Fortese

Graphic Design
Debbie Slott, D. Slott Design

ED SLOTT'S IRA ADVISOR
is a monthly publication sold for $125 annually by:

Smart Subscriptions, LLC
100 Merrick Road - 200 E
Rockville Centre, NY 11570
P: (877) 337-5688
E: newsletter@irahelp.com

ORDER ONLINE AT:
IRAHELP.COM/ IRAADVISOR

OR CALL:
(877) 337-5688

ISSN 1531-653X

Smart Subscriptions, LLC
100 Merrick Road, Suite 200E
Rockville Centre, NY 11570

All things considered, the perilous parlay of probable future tax rates and curtailed stretch IRA opportunity makes a traditional IRA a poor estate planning vehicle. A series of low-taxed withdrawals leading to life insurance premium payments is an increasingly attractive way to provide for retirees and their heirs.

Sooner Than Later

With all of the benefits, life insurance has drawbacks as well. Mainly, people in poor health often have problems getting coverage at a reasonable cost, especially as they grow older.

Therefore, clients should be encouraged to act soon, in starting this IRA-to-insurance gambit. They never will be younger than they are now, and they may not get healthier.

Moreover, the life insurance landscape can be intimidating, with so many types of policies available and so many features that can be included or excluded. Advisors can play a key role by finding the right coverage for clients to acquire, once they move money out of tax-deferred territory.

Part of an advisor's job is to help clients realize that a successful retirement is not based solely on having sufficient assets, going in. After all, assets can be depleted by lavish spending, a contested divorce, uninsured theft, vicious bear markets, and so on. A truly rewarding retirement typically results from drawing down those assets in desirable ways, whether that's checking off a bucket list or working on a golf game.

Such an asset drawdown will be easier for seniors to enjoy if they know they have provided life insurance for their children and grandchildren. They should be tapping their tax-deferred accounts to acquire tax-free life insurance for their loved ones: leaving a legacy of real money.

Advisor Action Plan

- Begin 2020 tax planning with clients as soon as practical.
- Get an idea of what their taxable income for the year is likely to be.
- Calculate how much they can withdraw from their IRAs while remaining in a relatively low tax bracket.
- Explain why it's better to take low-taxed IRA withdrawals now, rather than risk later withdrawals at higher tax rates.
- Suggest life insurance premiums as a possible use for the after-tax withdrawn amounts.
- Help individual clients choose a life insurance policy suitable for themselves and their beneficiaries. ■

Brad Pistole is a Certified Financial Fiduciary®, a Certified Annuity Specialist®, and the CEO of Trinity Insurance & Financial Services in Ozark, MO.

He graduated with a Bachelor of Science in Education from Arkansas Tech University in 1993. He holds his Life and Health and P&C licenses in Missouri and Arkansas. He specializes in several different aspects of financial planning including retirement income planning, 401(k) and IRA rollovers, Roth IRA conversions, and tax-free retirement through special types of life insurance.

Brad has been a member of Ed Slott's Master Elite IRA Advisor Group℠ since 2010. He is a Million Dollar Round Table (MDRT) lifetime qualifier. He is the author of the #1 best-selling book, *Safe Money Matters*, and he hosts Safe Money Radio each week on several stations in Missouri and Arkansas. He was named the 2018 Safe Money Radio Advisor of the year, and in 2019, Brad was recognized with the Missouri House of Representatives Resolution from State Representative Lynn Morris.

Brad can be reached at (417) 581-9222 or brad@guarnateedsafemoney.com
For more information about Brad, visit guaranteedsafemoney.com.

CRITICAL ANSWERS THAT YOU, YOUR CLIENTS & COMMUNITY NEED *NOW*

MASTER THE SECURE & CARES ACTS

The SECURE Act single-handedly upended many long-standing retirement rules on January 1, 2020. Only three months later, a second and equally enormous piece of legislation was passed—*the Coronavirus Aid, Relief, and Economic Security (CARES) Act.* From RMD waiver eligibility and age changes to coronavirus-related distributions (CRDs), **are you prepared to answer your clients' questions and be a knowledgeable fiduciary in this new terrain?**

RECOGNIZE NEW BACK-DOOR ROTH OPPORTUNITIES

By repealing the maximum age for IRA contributions, more clients will be eligible to complete Roth conversions. However, with recharacterizations eliminated, knowledgeable expertise is more important than ever to avoid costly and irreversible mistakes!

RIP STRETCH IRAS

Congress has pulled the rug out from retirees late in the game—*especially those with large IRAs!* Join us to learn about a key new beneficiary category still eligible for stretch provisions and the **five new strategies** that you can use to give your clients post-death control and minimized taxes.

Now more than ever, obstacles and volatility are a constant variable: the stock market, interest rates, tax laws, political and regulatory environment surrounding a global pandemic and an election year.

How will history remember 2020? That is yet to be written and out of our control. How will your clients remember you and the actions you took during these trying times? It is said that crisis does not build character—*it reveals it.*

Empty claims of being a "retirement expert" will quickly end in costly mistakes for those unequipped with the latest knowledge and advice. Leading financial advisors, those who take the reins during one of the most difficult periods in recent American history, need to be knowledgeable on these significant tax laws and updates.

The urgency for knowledgeable, professional advice has never been more essential!

The most timely, up-to-the-minute IRA education

Since January 1, our team of IRA Experts has been flooded with questions from thousands of Americans— consumers, professionals and media alike—such as:

- Which retirement accounts are affected by the RMD waiver?
- Can an RMD already taken for 2020 be rolled over?
- Is the age for QCDs still 70 ½?
- Who is eligible for a Coronavirus-Related Distribution?

As news continues to break, this LIVE virtual training will prepare you to answer the top questions of your clients, prospects and centers of influence.

After two days, you will be armed with immediately actionable intel to help your clients maximize their hard-earned retirement savings.

Get focused. Get educated. Take action.

Join America's IRA Experts to take advantage of timely, end-of-year planning strategies, including:

- **The most-up-to-date IRA expertise,** including new opportunities and planning considerations stemming from the SECURE and CARES Acts
- **An action plan** to implement into your business immediately to protect your clients and prospects from avoidable (and costly) planning errors
- **A 400+ page manual** available in a digital format to use as a practical reference guide
- **Valuable CE credits**
- **Direct access to our team of IRA Experts** through a virtual Q&A chat experience to make sure you leave with no questions unanswered

WHAT ATTENDEES ARE SAYING…

"Outstanding 2 days of training! 40 years in the business and this was an eye-opening experience! What you don't know CAN hurt you."
— Chuck Price, Portland, OR

"Within the first 30 minutes of Ed's workshop, I realized I had made a common IRA planning mistake. I called my office and stopped a transaction saving my client tax on $136,000 and saving the relationship. This program paid for itself within the first hour I was here!"
— Jim Flanagan, Naperville, FL

"The emphasis on the SECURE Act was critical. No amount of self-study could prepare me as well as the Slott team!"
— Scott Dewhurst, New York, NY

"I was able to show a prospect (now client) how to save $52,000 on their RMDs from the material at this training! Their CPA loved it and so did the client."
— Larry Schuffman, Pensacola, FL

"Without this course, any professional advising clients on IRAs could make costly, in some cases savings-crushing, mistakes."
— Lisa Barram, Fort Washington, PA

"Where else can we get developments up-to-the-minute?"
— Mary Ahearn, Tucson, AZ

"As anticipated Ed and his crew delivered the most complete treatment of the top issues practitioners are seeing in this area. The bifurcation of Ed speaking and his crew responding to participants' questions via chat provides a model for efficient knowledge-sharing. Bravo!!!"
— Moshe Stepansky, Brooklyn, NY

2 days of educational and empowering IRA strategies

DAY ONE

IMPORTANT: All sessions are shown in **Eastern Time.** Sessions begin at 10 EDT / 9 CDT / 8 MDT / 7 PDT in the morning and end at 5:10 EDT / 4:10 CDT / 3:10 MDT / 2:10 PDT in the afternoon on both days. To receive CE credits, you must be in attendance for the entire workshop on **both days.**

Session One — **10:00 am - 10:50 am EDT**

Navigating the CARES Act / SECURE Act

- Introduction and Program Overview
- CARES Act Relief Provisions
- 2020 RMD Waiver
- Coronavirus-Related Distributions (CRDs)
- Plan Loan Relief
- SECURE Act - Summary of Key Changes

Break — **10:50 am - 11:00 am EDT**

Session Two — **11:00 am - 11:50 am EDT**

SECURE Act / Planning for the End of the Stretch IRA /3 Beneficiary Categories / Eligible Designated Beneficiaries (EDBs) – Who Qualifies?

- The End of the Stretch IRA – SECURE Act Planning Solutions
- 3 Beneficiary Categories under the SECURE Act
- Eligible Designated Beneficiaries (EDBs) – Who Qualifies?

Break — **11:50 am - 12:40 pm EDT**

Session Three — **12:40 pm - 1:30 pm EDT**

SECURE Act Impact on Stretch IRAs / How Post-Death Payout Rules Will Work / Practice Examples / Beneficiary Forms / Custodial Document Checklist

- SECURE Act - How Post-Death Payouts Will Work
- Practice Examples – Post-Death Payouts Based on the Type of Beneficiary
- Why Most Beneficiaries Overpay Their Taxes
- Common Mistakes in Setting up Inherited IRAs
- IRA Beneficiary Form Mistakes That Wipe Out Inheritances
- How to Use the IRA Beneficiary Form to Build Referrals
- IRA Beneficiary Selection
- What to Look for in IRA Custodial Documents
- IRA Custodial Document Checklist – One Dozen Questions Advisors Must Ask

Break — **1:30 pm - 1:40 pm EDT**

Session Four — **1:40 pm - 2:30 pm EDT**

25 IRA Rules You Must Know (Part One)

- 25 IRA Rules You Must Know and How to Capitalize on Them, Including New Rules Under the SECURE Act (Part One)

Highlights Include:
  - IRA Distribution Basics
  - Aggregating Distributions
  - 5-Year Rule Confusion After Death
  - SEP and SIMPLE IRA Confusion
  - Creditor/bankruptcy protection of IRAs
  - Year of Death Distribution - Who Takes It?
  - IRAs Don't Generally Pass Through Wills

Break — **2:30 pm - 3:20 pm EDT**

Session Five — **3:20 pm - 4:10 pm EDT**

25 IRA Rules You Must Know (Part Two)

- 25 IRA Rules You Must Know and How to Capitalize on Them, Including New Rules Under the SECURE Act (Part Two)

Highlights Include:
  - Two Different 5-Year Rules for Roth IRAs
  - QDROs Do Not Apply to IRAs
  - A Non-Spouse Beneficiary Cannot do a Rollover
  - The 10% Penalty Exceptions

Break — **4:10 pm - 4:20 pm EDT**

Session Six — **4:20 pm - 5:10 pm EDT**

25 IRA Rules You Must Know (Part Three)

- 25 IRA Rules You Must Know and How to Capitalize on Them, Including New Rules Under the SECURE Act (Part Three)

Highlights Include:
  - Splitting IRAs
  - No Deadline for a Spousal Rollover
  - 20% Withholding Tax Rule
  - Eligible Rollover Distributions (ERDs)
  - Tax Breaks for IRA and Plan Beneficiaries
  - Rollover or Transfer? – 60-Day Rollover Relief
  - Roth IRA Beneficiaries Must Take RMDs
  - Correcting Excess IRA Contributions

DAY TWO

Optional Session — **9:10 am - 9:45 am**

Learn More About Ed Slott's Elite IRA Advisor Group℠

Session Seven — **10:00 am - 10:50 am EDT**

Roth Conversion Planning / 3 Roth Conversion Questions You Need to Ask / Estate Planning with Roth IRAs

- Roth IRA Tax Planning After the SECURE Act
- The 3 Questions to Ask in Every Roth Conversion Evaluation
- Who Should and Who Should Not Convert
- Estate Planning with Roth IRAs

Break — **10:50 am - 11:00 am EDT**

Session Eight — **11:00 am - 11:50 am EDT**

Roth 401(k) Rules / IRA Update – The Latest IRA Changes, Rulings and Cases

- Roth Conversions from Company Plans
- Roth 401(k), Roth 403(b), and Roth 457(b) Contribution and Distribution Rules
- IRA Update: The Latest IRA Tax Law Changes Including the SECURE Act, New Tax Strategies, Rulings, Court Cases and Planning Opportunities

Break — **11:50 am - 12:40 pm EDT**

Session Nine — **12:40 pm - 1:30 pm EDT**

Naming Trusts as IRA Beneficiaries (Part One)
Everything You Need to Know / SECURE Act Effect on IRA Trust Planning

- Separate Account Rules for Multiple IRA Beneficiaries - Splitting IRAs
- Naming Trusts as IRA Beneficiaries – The SECURE Act Impact and Why Most IRA Trusts Won't Work Anymore!

Break — **1:30 pm - 1:40 pm EDT**

Session Ten — **1:40 pm - 2:30 pm EDT**

Naming Trusts as IRA Beneficiaries (Part Two)
SECURE Act Effect on IRA Trust Planning / Latest IRA Trust Rulings and Planning Strategies / IRA Trust Checklist

- SECURE Act Effect on IRA Trust Planning
- Conduit Trusts vs. Accumulation Trusts
- How to Determine RMDs When a Trust is the IRA Beneficiary
- Avoid Major IRA Trust Mistakes That Most Other Advisors Make Routinely
- The Latest IRA Trust Rulings
- 10-Point IRA Trust Checklist

Break — **2:30 pm - 3:20 pm EDT**

Session Eleven — **3:20 pm - 4:10 pm EDT**

How to Use the SECURE Act to Attract Large IRA Rollover Clients / Advising Clients on Key Rollover Decisions / 72(t) Planning

- How to Use the SECURE Act to Attract Large IRA Rollover Clients
- Advising Clients on Key Rollover Decisions
- NUA (Net Unrealized Appreciation) Rules and Strategies for Employer Stock
- 5 NUA Mistakes You Cannot Afford to Make
- 72(t) Rules for Early IRA and Plan Distributions
- 72(t) IRS Rulings and Court Cases

Break — **4:10 pm - 4:20 pm EDT**

Session Twelve — **4:20 pm - 5:10 pm EDT**

The Missing Estate Plan / IRA Estate Planning Strategies After the SECURE Act / Life Insurance Planning with IRAs

- The Missing IRA Estate Plan...Means More Money for YOU
- IRA Estate Planning Strategies – New Strategies After the SECURE Act
- How to Plan for Estate Tax Uncertainty
- Use of Life Insurance to Protect IRA Values – SECURE Act Impact
- IRA Strategies to Increase Your Insurance and Annuity Sales
- Planning for State Estate Taxes
- The 2 Biggest Tax Breaks in the Tax Code and How to Make Sure Your Clients Get Them - Creating the Perfect IRA Estate Plan

YES! PLEASE REGISTER ME FOR:

Ed Slott and Company's Virtual 2-Day IRA Workshop, *Instant IRA Success*, October 19-20, 2020

Register online at irahelp.com/2-day

You may also call, fax, or email us using the information at the bottom of this page. If paying by check, please mail it to Ed Slott and Company, LLC at 100 Merrick Road, Suite 200E, Rockville Centre, NY 11570

NEWSLETTER REGISTRANTS

SAVE $400

☐ Single Payment of ~~$1995~~ $1595

Continuing Education Credits

DESIGNATION CREDITS

THE AMERICAN COLLEGE - **12 CREDITS**

CFP® - **12 CREDITS**

CLE - *Self-reporting packets are available for download*

CPE for CPAs (NASBA*) - **12 CREDITS**

CPE for Texas (TX) - **12 CREDITS**

EA / OTRP (IRS) - **12 CREDITS****

INSURANCE CREDITS BY STATE

12 CREDITS: AL, AK, AZ, AR, CA, CO, CT, DC, DE, FL, GA, IN, IL, IA, KS, ME, MO, MS, MT, NC, ND, NH, NY, OH, OK, OR, PA, SC, SD, TN, TX, UT, VA, VT, WI, WV , WY

10 CREDITS: MA, SD

3 CREDITS: WA

Please check irahelp.com for the types of insurance credits offered

*There are no prerequisites or advanced preparation required for this group internet-based workshop. The program level is beginner. Ed Slott and Company is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org.

**IRS – course is approved for Enrolled Agents (EA) and Return Preparers (OTRP) for (Federal Tax Law / Federal Tax Related)

NY – course is approved for Life Brokers (LB), Life Consultants (C1), Life Settlement Brokers (LSB), and Life/Accident and Health Agents (LA)

CE credits are subect to change.

IMPORTANT: To receive CE credits, you must be present for the entire workshop on both days.

First Name* ____________ Last Name* ____________

Company ____________

Job Title* ____________

Address 1* ____________

Address 2 ____________

City* ____________ State* ____________ Zip Code* ____________

Phone* ____________ Cell Phone* ____________ Fax ____________

Email* ____________ Promo Code **NEWSLETTER**

How Did You Learn About This Workshop? ____________

PAYMENT INFORMATION

Please charge the registration fee to my: ☐ Visa ○ MC ○ Discover ○ Amex ○ Gift Card

CC Account # ____________ Exp. Date ____________

Name on Card ____________ CCV # ____________

Number of Attendees:	Price per Attendee:
1	$1995
2	$1595
3-9	$1495
10+	$1295

This workshop will be broadcast using Zoom. Once registered, you will receive a link to join the workshop via email the week of the event.

Discount codes and group rates cannot be combined

Ed Slott and Company has a "no refund" policy. In the event of cancellation, your payment will be transferred to the next 2-Day IRA Workshop or eSeminar. For more information regarding refund, concerns and program cancellation policies, please contact our offices at 800-663-1340.

irahelp.com/2-day Tel: 800-663-1340 Fax: 516-536-8852 Email: info@irahelp.com