Deliver to: Brent Shumate

The "Daily Plan-It™"

SHUMATE BROKERAGE CORP.

Volume 8, Issue 18 **9/7/2006**

A New IRA Rule with Estate Planning Benefits

The Roth IRA is an extremely desirable retirement planning tool. But if you earn more than $110,000 ($160,000 for married couples), you haven't been able to take advantage of it! And if you earn more than $100,000 per year, you weren't even entitled to convert a traditional IRA into a Roth IRA. However, on Wednesday, May 17th, President Bush signed a bill that opens the doors for high-income earners to take advantage of the remarkable Roth.

New tax act

Beginning in 2010, anyone, regardless of income, will be able to convert a traditional IRA into a Roth. The value in taking advantage of this is that earnings in a Roth grow tax-free. As long as you own the account for five years and are at least age 59½, withdrawals are tax free, no matter how large they will have blossomed. Plus, there are no dreaded minimum distribution requirements, which means that you don't need to start withdrawing funds once you reach age 70½. That means more money grows tax-free for your heirs. That's a nice inheritance!

You'll need to pay taxes when you do the conversion to a Roth, of course, and that can be a hefty bite, so make sure you plan ahead.

Looking through a crystal ball

This will be a great retirement planning tool *if* it actually occurs. A lot can happen between now and 2010, and you can bet there'll be additional tax changes in the next four years. Is it likely that this benefit will still be there when you're ready to take advantage of it? Only your psychic knows for sure and even she has her doubts.

Mastering the possibilities

However, there's a good chance that the option will still be available to you in 2010. Therefore, a little bit of planning now will help you benefit then. The first thing to do is open a non-deductible IRA. Contribute the maximum amount every year, and if you're older than 50, take advantage of all "catch-up" contributions. By the time you're ready to convert to a Roth, there may be a nice chunk of change in that account. (Don't forget to tell your accountant about your non-deductible IRA because it requires a special tax form.)

In 2010, you'll be ready to do the conversion. Just remember that there will be tax consequences, so make sure you stash enough cash somewhere to cover it.

No matter what the future holds, planning for the possibilities will help juice up your retirement funds.

Shumate Brokerage Corp.

1918 West Cass Street
Tampa, FL 33606-1232
800.330.8582
813.254.7681
Fax ~ 813.251.8049

www.ShumateBrokerage.com

Email ~ Brent@ShumateBrokerage.com

Marketing
competitively priced term, whole life, universal life and annuities.
Profitable handling
of your most difficult impaired risk life cases.
Multiple companies
for you to select from.

Serving Florida Insurance Professionals since 1957!