Roth’s, IRA’s and 403(b)’s Oh My

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Quick Tax Update

- Personal exemption = $3950
- Standard Deduction
  - Single: $6200
  - Married Filing Joint: $12,400
  - Head of Household: $9100
  - Additional over 65 or Blind: $1200
Quick Tax Update

- No energy credit
- No IRA transfer rule
Quick Tax Update

- 10% of adjusted gross income
- 7.5% if 65 or older
DOMA Update

- Same sex marriages recognized for Federal taxes
- Spousal rights extended to any married couple
- Wisconsin still forcing separate filing of taxes
Obamacare (ACA)

- Medicare Surtax
- Net Investment Income Tax
Obamacare

• Uninsured Penalty 2014

  • $95 flat fee per adult
  • $47.50 per child
  • Max $285 family
  • Compared to 1% of Household Income

• Penalty increases in 2015 and 2016
Obamacare

- Subsidy on initial premium
- Or Tax Credit on return
- Tax return reconciles subsidy
- Add on tax if subsidy adjustment downward
Capital Gains

- 0% and 15% rate
- New 20% rate for high incomes
Opportunities

• Tax benefit to surviving spouse
• No reporting of gains
• Full deduction of FMV
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Some Cautions

- Owners basis is donee’s basis
- Different basis used for loss vs. gain
- Inform the donee of your basis in the gift.
Thresholds

- $14,000 per individual
- $5,340,000 lifetime
- $5,340,000 per individual
- Unused spousal exclusion
IRA’s

In’s and Out’s
Options for Old Plans

- 403(b), 401(k) and 457 plans
- Simples and SEPs
- One rollover per IRA per year
Advantages to Rollover

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Roth Conversions

- Advantage is tax free growth
- Investing for dividends without tax concerns
Required Minimum Distributions

Who When and How
Basic Rules for the Owner

- Age determines divisor
  - 70 year old = 27.4
- IRA's aggregate for RMD
- Employer plans
- No RMD if still employed
Beneficiaries RMD

- Roll to own
- Leave in owner’s name
- Delay required minimum distribution until owner would have been 70 1/2
Beneficiaries RMD

- RMD required by Dec. 31 of year following year of death
- Five year rule is default
- Divisor based on beneficiary’s age
- Reduced by 1 each year
Beneficiary RMD

- Stretch if language provides
- Default is distribution to the trust
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- Distributes to the estate
One Last Topic

Trust Me
Do I need a trust
Trust Classification

- Grantor retains control
- Taxable to Grantor

- Grantor gives up control
- Separate taxable entity
Trusts Types

- Living Trusts / Survivor Trusts
- Family Trusts / Charitable / ILIT
Irrevocable Trust Strategies

- ILIT
- Charitable
Irrevocable Trust Strategies

- Variable and Fixed Annuities
- Municipal Bonds
- Life Insurance
Estate Ideas

- $5,340,000 per individual
- Unused portion to spouse
- Appears an estate return would need to be filed
Estate Ideas

- Required minimum distributions from IRA’s
  - Re-invest non-qualified
  - Use as premiums for insurance
Estate Ideas

- Hybrid with long term care rider
- Second to die policies
Insurance Proceeds

- Never taxable to the heirs
- May be included in estate calculation
- Surrender of policy
- Partially taxable depending on basis created by premiums
Estate Ideas

- Irrevocable life insurance trust
  - Avoids probate
  - Medicaid planning tool
  - Requires Crummy Letter
Thank You

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