

How Your IRA Can Become Your Tax Nightmare

Written by Ginny Grimsley
Friday, 14 June 2013 13:48

- [Buy Autodesk AutoCAD Mechanical 2010 \(32 bit\) \(en\)](#)
- [Discount - Corel WordPerfect Office X5 Standard](#)
- [Buy Autodesk Alias Automotive 2012 \(en\)](#)
- [Buy Steinberg Cubase SX3 \(en\)](#)
- [Download Autodesk Robot Structural Analysis Professional 2014](#)
- [Buy Adobe Creative Suite 6 Design Standard \(en,ja\)](#)
- [99.95\\$ Autodesk Impression 3 cheap oem](#)
- [9.95\\$ Lynda.com - Up And Running With Tumblr cheap oem](#)
- [Buy OEM Adobe Captivate 5.5](#)
- [Buy OEM PowerPoint 2007 All-in-One Desk Reference For Dummies](#)
- [Download Infinite Skills - Learning Maxon Cinema 4D R14](#)
- [Discount - Eset Smart Security 5 \(32-bit\)](#)
- [Buy Cheap Autodesk Stitcher Unlimited 2009 MAC](#)
- [Buy OEM Adobe InDesign CS4 Styles](#)

Financial Expert Offers Tips to Avoid a Hefty Bill from Uncle Sam

Uncle Sam wants you! That is, he wants you to spend your Individual Retirement Account in a manner that he finds appropriate, says independent retirement advisor Gary Marriage, Jr.

“Millions of Americans have put away money into their IRA throughout their professional life, which the government encourages with tax-deferred growth throughout the working years, allowing employees to accumulate more money faster – but there’s a catch,” says Marriage, CEO of Nature Coast Financial Advisors (www.naturecoastfinancial.com), which specializes in maximizing retirees’ finances. He is also responsible for Operation Veteran Aid, which benefits wartime veterans and their families.

“The government’s Required Minimum Distribution, RMDs including 401(k)s, 403(b)s or 457 plans, paint retirees and their employer-sponsored retirement plans into a corner.”

That’s because by the time retirees reach the age of 70½, RMDs require individuals to make withdrawals, which are *heavily* taxed, he says. Marriage explains the process further with the theoretical example of John and Mary Smith:

• **Smooth sailing ... at first:** By age 65, the couple has saved \$500,000 in their IRA, and

How Your IRA Can Become Your Tax Nightmare

Written by Ginny Grimsley
Friday, 14 June 2013 13:48

because they have been taking no income from it, they're averaging a 6 percent return each year. They sail along smoothly, compounding the growth in the account and earn a return of \$40,147 by age 70. But halfway through that year ...

• **Compounded tax liability:** At 70½, John's IRA has an accumulated value of \$669,113. Therefore, his RMD – the amount he's required to withdraw – is \$24,420. John and Mary weren't expecting the tax bill this creates, which, in their 25 percent tax bracket, is a staggering \$6,105! More upsetting to the couple, however, is that this scenario will continue for the rest of their lives.

• **Down the road:** Fast forward to age 90 and the total withdrawals the couple have been forced to take reaches \$908,005. The total taxes owed are a staggering \$227,001 – which goes straight to Uncle Sam! Worse still, when John and Mary pass away, their children will pay taxes on the remaining money – likely at a much higher tax rate.

• **The solution:** Rather than wait for the inevitable RMD, John and Mary can convert to a Roth IRA. This entails taking their distributions early, at age 65, even though they are not required to do so. Each year for 10 years they withdraw \$67,934, pay a tax bill of \$16,983 from that sum and return the balance to the account. The net effect throughout the 10-year period is a total taxable distribution of \$679,340 for a total tax bill of \$169,835. The good news for John and Mary, however, is that they are now done paying taxes on this account, forever. They went from taxable distributions of \$1.6 million to just \$679,000, thus reducing the amount they owe on taxes by almost \$1 million dollars! And the money that their beneficiaries receive will be tax-free.

"This scenario considers a number of variables, all of which are different for every client we work with," Marriage says. "As a general rule, however, the sooner you begin the conversion process, the more you stand to gain."

About Gary Marriage

Gary Marriage, Jr. is the founder and CEO of Nature Coast Financial Advisors, which educates retirees on how to protect their assets, increase their income, and reduce their taxes. Marriage is a national speaker, delivering solutions for pre-retirees, business owners and seniors on the

How Your IRA Can Become Your Tax Nightmare

Written by Ginny Grimsley
Friday, 14 June 2013 13:48

areas affecting their retirement and estates. He is an approved member of the National Ethics Bureau, and is featured in "America's Top Hometown Financial Advisors 2011." Marriage is also the founder of Operation Veteran Aid, an advocate for war-time veterans and their families.