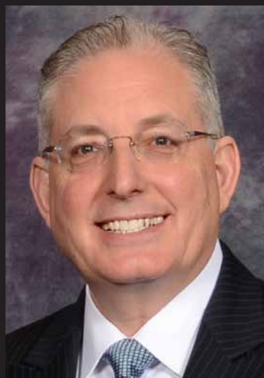

ED SLOTT'S IRA ADVISOR

February 2015

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

The Case For and Against Having Clients Take Their RMD Early in the Year

So your client is over 70½ and is subject to required minimum distributions (RMDs). You know they need to take that distribution in a timely manner, but that leaves a fairly wide window. Should you encourage them to take their RMD early in the year? Later in the year?

There's really no right or wrong answer, but rather, depending on your client's specific circumstances, either could make sense. Here are a few factors to consider when making this decision.

Reasons to Consider Having Your Client Take Their RMD Early in the Year

Clients don't have to worry about the 50% penalty – RMDs must generally be taken by the end of the year for which they are required in order to be considered timely. For example, an RMD for 2015 must generally be taken by December 31, 2015 (there is an exception to this rule for the first year a client is required to take an RMD). Although the IRS can provide relief in certain circumstances, if a client misses the deadline, they leave themselves subject to a 50% penalty. It is assessed on the amount that they were supposed to take, but did not.

It's not uncommon for clients to hold off on taking their RMD until later in the year, only to forget, become ill or otherwise preoccupied.

Although December 31st may seem like a long way off, it might be worth encouraging clients to take their RMDs now to avoid any potential for error. It's not uncommon for clients to hold off on taking their RMD until later in the year, only to forget, become ill or otherwise preoccupied, leading to the deadline being missed. Clients have a lot of things to worry about in retirement, but if they take their RMD early in the year, a 50% penalty doesn't have to be one of them.

Don't leave clients' beneficiaries with a tight window – If your client is subject to RMDs this year and they pass away before taking that required minimum distribution, their beneficiaries are required to take what would have been the RMD. In order to avoid a potential penalty, they should take that distribution before the end of the year. The longer

WHAT'S INSIDE?

a client waits to take their RMD, the more difficult that becomes. For instance, if a client dies now, there's probably more than enough time for their beneficiary to take any remaining RMD by the end of the year. If a client dies on December 15th, however, that's not likely to happen.

It's important to realize that in order for a beneficiary to set up an inherited IRA, they must often provide proof of an IRA owner's death, such as by presenting a death certificate. At best, it may take days to receive a death certificate, and at worst it can take several months or longer. Plus, inherited IRAs can only be funded via a trustee-to-trustee transfer from a decedent's account. Moving money this way can also be more time intensive, taking several weeks in some cases.

Add all of this together and it's easy to see why it may be next to impossible for a beneficiary to take a deceased IRA owner's remaining RMD by the end of the year if the death occurs late in the year. Encouraging clients to take their RMDs earlier in the year greatly minimizes this issue.

The remainder of the account can be rolled over and/or converted – RMDs are considered to be the first money distributed out of an IRA owner's account each year. Furthermore, RMDs are not eligible to be rolled over. Put those two rules together and you realize that before you make any rollover – including a Roth IRA conversion – clients must take their RMD for the year.

Before you make any rollover – including a Roth IRA conversion – clients must take their RMD for the year.

Failure to take an RMD before completing a rollover or making a Roth IRA conversion can lead to serious tax issues. For instance, the rolled over RMD often becomes an excess contribution, subject to a 6% penalty for each year it remains in the new account until it is corrected.

Example: Jacob is 74 and is subject to RMDs. His RMD for 2015 is $25,000 and he would like to convert $100,000 of his IRA to a Roth IRA. Before taking his 2015 RMD, he converts $100,000 from his IRA to a Roth IRA. Later in 2015, he takes $25,000 out of his remaining IRA funds as what he thinks is his RMD. In March 2015, Jacob meets with his CPA, who discovers the mistake.

You might be tempted to ask, "What is the mistake?" But there's definitely one there. Remember, the *first* money distributed out of Jacob's IRA each year is considered to be his required minimum distribution, so $25,000 of his $100,000 "conversion" actually consisted of his RMD. Since RMDs cannot be converted, that amount becomes an excess contribution in Jacob's Roth IRA and will be subject to a 6% penalty for each year it is not corrected. Thus, Jacob has only really converted $75,000 to a Roth IRA, and has also taken an additional $50,000 from his IRA, $25,000 of which satisfied his RMD and $25,000 of which was purely a voluntary distribution. None of this is in line with Jacob's goals.

Retirement is hard enough without subjecting clients to unnecessary penalties. By encouraging clients to take their RMD now, *before* they make a rollover or a Roth IRA conversion, they can eliminate this error.

Reasons to Encourage Clients to Wait Until Later in the Year to Take Their RMD

Maximize tax deferral – When it comes to IRAs, tax deferral is the name of the game. The longer a client's money stays in an IRA, the longer any earnings are shielded from taxes. By waiting until the end of the year to distribute a client's RMD instead of distributing it now, you can give clients almost a full year's additional tax deferral on their RMD. Any interest, dividends, capital gains, etc. that are earned on the RMD amount between now and when they take it will occur inside the IRA, and therefore, will not be subject to income tax this year unless distributed from the IRA in addition to the RMD.

Example: Frank has a large IRA and has a $50,000 RMD for 2015. Let's suppose that Frank has the $50,000 RMD amount invested in bonds paying 6%. If Frank takes his $50,000 RMD on January 1st, he will essentially add $53,000 to his 2015 tax bill. He'll have $50,000 of IRA income and an additional $3,000 ($50,000 x 6% = $3,000) of interest income earned on the bond which is now outside of the IRA.

In contrast, if Frank waits until December 31st to take his RMD (it's not recommended to wait this long, but it's used to make a point), he'd just have $50,000 of income, consisting solely of his $50,000 distribution. Over time, delaying an RMD in this manner can have a meaningful impact on the size of your client's remaining nest egg.

No QCD provision currently in place – As of now, qualified charitable distributions (QCDs) are not in effect for 2015. The QCD provision allows certain IRA owners 70½ or older to give up to $100,000 tax-free to charity directly from pre-tax amounts in their IRAs. Perhaps best of all, the amount of any QCD can be used to offset, or eliminate altogether, a client's RMD for the year.

There's a good chance that, at some point, Congress will retroactively institute the QCD provision so that it would be effective now. They've done so every time it's expired in the past. That said, there's no guarantee they will do so again. They could just make it effective from the time they pass the legislation (if that even happens). Therefore, if clients want to utilize this provision, should it be renewed, they may want to wait until later this year to either take their RMD or do a QCD. By then, there may be some clarity with regard to QCDs for 2015. ■

Woo Hoo! All 2010 Conversions are now Tax and Penalty Free!

Release the balloons, breakout the noisemakers and pop the champagne. 2015 is here, and that means that all of your clients' 2010 Roth conversions – and there were a lot of them – can be distributed 100% tax and penalty free. It doesn't matter how old your client was when the 2010 conversion took place, how old they are now, whether they had then, or now have, any other Roth IRAs, or any other factor for that matter. Any distribution of a 2010 conversion is now tax and penalty free ... no questions asked.

Clients Currently 59½ or Older Have Qualified Distributions

When it comes to Roth IRAs, qualified distributions are the name of the game. Qualified distributions are 100% tax and penalty free. Furthermore, it doesn't matter what "type" of Roth IRA money (i.e., contributions, conversions, earnings) is being distributed. Once a client has met the requirements for a qualified distribution, *all* distributions from *any* of their own Roth IRAs will be tax and penalty free for the rest of their life. Beneficiaries of such Roth IRAs can also take tax and penalty-free distributions of the inherited amounts.

All of your clients' 2010 Roth conversions - and there were a lot of them - can be distributed 100% tax and penalty free.

In order for clients to have a qualified Roth IRA distribution, they must meet two distinct requirements. First, they must have held any Roth IRA for more than five years. The five-year clock starts on the first day of the year for which a client's first contribution is made and applies to all of a client's Roth IRAs. Thus, any client who completed a Roth conversion in 2010 has now met this requirement.

Example: On November 1, 2010 Francesca received a distribution from her traditional IRA. On November 15, 2010, she deposited the distribution in a Roth IRA – her first – completing a Roth IRA conversion. Even though Francesca's Roth IRA conversion wasn't *actually* completed until November 15, 2010, the funds are treated as though they were in her account on January 1, 2010. Thus, January 1, 2015 marked the first day when Francesca's five-year Roth IRA qualified distribution clock had been satisfied (i.e., more than five years after the 2010 conversion).

In addition to satisfying the five-year requirement, a qualified distribution must also be made pursuant to one of the following:

1) The Roth IRA owner's attainment of age 59½.

2) The Roth IRA owner's disability (as defined by the tax code).

3) The death of the Roth IRA owner.

4) A first-time home purchase (lifetime cap of $10,000).

Since we've already established that any Roth IRA conversions that were completed in 2010 have already met the five-year rule, any client that is currently 59½ or older has met both sides of the Roth IRA qualified distribution equation. Therefore, any distributions from any of their Roth IRAs will be tax and penalty free for the remainder of their life.

Clients Under 59½ Can Still Take Penalty-Free Distributions of 2010 Roth IRA Conversions

If clients take distributions from their Roth IRAs before they have met the requirements for a qualified distribution, the tax consequences can vary dramatically. In certain situations, a non-qualified distribution may be entirely tax and penalty free, just like a qualified distribution. In other cases, a non-qualified distribution may be subject to both tax and the 10% penalty. In still other cases, such a distribution may be subject only to the 10% penalty.

The tax treatment of a non-qualified distribution ultimately depends on the type of Roth IRA money being distributed. When determining the type of Roth IRA money being distributed in a non-qualified distribution, *ordering rules* are applied. In addition, all of a client's Roth IRAs are treated as one IRA account. The basic ordering rules are as follows:

1) Contributions are the first funds to be distributed

2) After all contributions have been distributed, Roth IRA conversions are distributed. If more than one Roth IRA conversion has taken place, the conversions are distributed on a first-in, first-out (FIFO) basis.

3) After all contributions and conversions have been distributed, earnings are distributed.

Roth IRA contributions can *always* be distributed tax and penalty free, but that's not true for converted funds or earnings. Distributions of Roth IRA conversions are tax free – the tax on those funds was paid at the time of the conversion – but they may be subject to the 10% early distribution penalty. In order to be exempt from the 10% early distribution penalty, converted funds must be distributed after the Roth IRA owner reaches age 59½ or more than five years after the Roth IRA conversion, whichever is *sooner*.

The five-year clock here is different than the five-year clock for qualified distributions. Like the qualified distribution clock, this clock begins on January 1st of the year a conversion is completed. Unlike that clock, however, every Roth IRA conversion begins its own five-year clock. Any conversion completed in 2010 has now met this five year rule, so even a young (pre-59½) client with no prior Roth funds can now distribute their 2010 Roth IRA conversion funds tax and penalty free.

Example: Earl completed a $100,000 Roth IRA conversion in 2010. Since then, his converted funds have accumulated $40,000 of earnings. These are the only Roth IRA funds that Earl has. If Earl, who turns 45 years old in 2015, needs to take a distribution from his Roth IRA, he can take up to his initial $100,000 Roth IRA conversion amount without triggering any tax or penalty.

Following the ordering rules, his entire $100,000 conversion will come out of his Roth IRA before the first dollars of earnings come out. Those converted funds will be tax free because Earl has already paid the tax on those funds. Furthermore, even though Earl is not yet 59½, there will be no 10% penalty because the conversion has met the five-year Roth IRA conversion clock. Once Earl reaches 59½, his earnings can also be distributed tax and penalty free as part of a qualified distribution.

Of course, just because clients can take tax and penalty-free distributions of their Roth IRA funds doesn't mean that they should. In fact, if clients don't have to take such distributions, it often pays not to. Roth IRA money should often be left alone for as long as possible since it not only grows tax and penalty free, but is unencumbered by RMDs for the life of the owner. ■

Caution: The New One-Rollover-Per-Year Restrictions are Now in Effect

Now that 2015 is here, the "new" one-rollover-per-year rule is in effect. Knowing the rule inside and out will help you guide clients and prevent them from losing their IRAs. The stricter interpretation of the once-per-year rollover rule is being enforced by IRS starting this year and clients who violate the rule may find themselves subject to taxes, penalties, and the loss of their retirement account.

Rules Changed in 2014

As a result of the landmark decision in the *Bobrow* case in January 2014, the Tax Court ruled that an individual can only do one 60-day rollover in a 12-month period. The rule now applies to *all* of a client's IRAs in aggregate, rather than to each IRA separately (which had been the IRS position for many years).

The stricter interpretation of the once-per-year rollover rule is being enforced by IRS starting this year.

Realizing the tremendous impact of this rule change, especially for clients who previously did IRA rollovers from multiple separate IRAs within a year, the IRS issued two announcements in 2014 (Ann. 2014-15 and Ann. 2014-32) clarifying the new interpretation of the once-per-year rule and postponing its enforcement of that interpretation until this year (2015).

Luckily, clients who followed the IRS' rules in previous years are OK. The IRS also withdrew proposed regulations which reflected the old, more liberal interpretation of the rule, and it updated the 2014 version of Publication 590 to reflect the rule change.

From 2014 IRS Publication 590-A, *Distributions from Individual Retirement Arrangements (IRAs)*:

"What's New for 2015

Application of one-rollover-per-year limitation. Beginning in 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 1-year period regardless of the number of IRAs you own. However, you can continue to make unlimited trustee-to-trustee transfers between IRAs because it is not considered a rollover. Furthermore, you can also make as many rollovers from a traditional IRA to a Roth IRA (also known as "conversions"). For more information, see Can You Move Retirement Plan Assets in chapter 1."

Transition Rule for 2015 Distributions

In late 2014, the IRS confirmed that a distribution that was received in 2014 is disregarded when determining whether a 2015 distribution can be rolled over, so long as the distribution was made from, and was rolled to, a different IRA.

Example #1: Jan received a distribution from IRA 1 on October 30, 2014 which she timely rolled over to IRA 2 on November 3, 2014. She also has another IRA, IRA 3. Jan can take a distribution from IRA 3 anytime in 2015 and roll over the funds because the 2014 rollover from/to different accounts doesn't count. Note that she cannot roll over a distribution from either IRA 1 or IRA 2 until after October 30, 2015 (after 365 days from October 30, 2014) because the rules have *always* prevented a second rollover from an IRA that either made or received a rollover in the preceding year.

All IRAs Combined

The new interpretation of the once-per-year rule applies to *all* of your clients' IRAs *combined*, including Roth, traditional, SEP and SIMPLE IRAs. To be clear, this means that between all of these accounts, only one rollover can occur every 12 months, NOT one rollover for each account or type of account.

Example #2: Karen has a traditional IRA and a Roth IRA. On February 3, 2015, she receives a distribution from her Roth IRA and rolls it over to another Roth IRA on March 1, 2015, within 60 days. She now has used up her one rollover and cannot roll over a distribution from any of her IRAs received before February 3, 2016 (within 365 days from February 3, 2015 - when she received her Roth IRA distribution that was rolled over). So, for instance, if she receives a distribution from her traditional IRA later in 2015, that amount cannot be rolled over to another traditional IRA, even though she has yet to make a similar rollover.

The new interpretation of the once-per-year rule applies to *all* of your clients' IRAs *combined*.

Encourage Direct Transfers

Unlike a rollover in which individuals personally receive a distribution from their IRA, direct (trustee-to-trustee) transfers between IRAs are not considered distributions and thus are *not* subject to the once-per-year limit. The IRS specifically reiterated this point in Ann. 2014-15, as well as in the new Publication 590-A, as noted earlier. Since clients can make an unlimited number of direct transfers between IRAs, and since transfers are not subject to the 60-day rule, it is the best way to move funds between IRAs. To be safe, always encourage clients to move IRA funds via direct transfers, even if it means waiting a little longer for the funds to be moved.

The IRS also said that if the IRA owner receives a check made payable to the receiving IRA custodian, that check is treated as a direct transfer since the IRA owner doesn't have use of the money.

2015 Once-Per-Year Rollover Rule Q&A

Question: I just discovered that one of my clients violated the once-per-year rule. Is there anything I can do to fix it, such as applying for an IRS waiver?

Answer: No. The IRS has no authority to allow exceptions to the rule, as they can for some late 60-day rollover situations. As a result, the subsequent rollover is not treated as a tax-free rollover, but instead, is a taxable distribution. To make matters worse, the rollover is also treated as a regular IRA contribution, which often creates an excess IRA contribution in the receiving IRA, subject to a 6% penalty each year until it is corrected.

Question: Are there any exceptions to the once-per-year rule?

Answer: Yes. The exceptions are; conversions done as a 60-day rollover from an IRA to a Roth IRA, IRA rollovers to and from company retirement plans such as 401(k)s, IRA first-time home buyer distributions when the home purchase is delayed or cancelled, qualified reservist distributions that are timely repaid, and IRA-to-IRA or Roth IRA-to-Roth IRA direct transfers.

Question: Does the once-per-year rollover rule apply to SIMPLE and SEP IRA distributions, or do they fall under the exception for rollovers to/from company plans?

Answer: Even though SEP IRAs and SIMPLE IRAs must be established by an employer, for purposes of applying the once-per-year rollover rule, SEP IRAs and SIMPLE IRAs are treated as IRAs, and are therefore subject to the once-per-year rule. If a client has traditional IRAs, SEP IRAs and SIMPLE IRAs, then they can only rollover one distribution from all of these accounts, combined, during a 365-day period.

Question: Does the new rule also apply to Roth IRAs?

Answer: Yes. It applies to all IRA-to-IRA rollovers and Roth IRA-to-Roth IRA rollovers.

Question: Is the 60-day rule still in effect?

Answer: Absolutely. Besides the once-per-year rule, an individual must still complete a rollover within 60 days after he receives the IRA distribution.

Question: If a prospect did an IRA-to-IRA rollover in January 2015, when can he move his IRA funds to me?

Answer: Immediately. Simply have him directly *transfer* the funds to his IRA with you. There are no limits on the number of direct transfers that can be made.

Question: My client has two IRAs at two different custodians that she inherited from her deceased husband as his only beneficiary. Can she roll them both over to an IRA in her own name (spousal rollover)?

Answer: The IRS has not directly addressed this issue, but to be safe, she should not move the funds using 60-day rollovers because it likely will be considered two rollovers within 365 days. Instead, she could do one as a 60-day rollover and the other as a transfer, or better yet, directly transfer them both to an IRA in her own name. ■

2015 Retirement Plan Contribution Limits

Phase-Out Ranges for IRA Deductibility

This chart is only for those who are covered by a company retirement plan.

Year	Married/Joint	Single or Head of Household
2013	$95,000 - $115,000	$59,000 - $69,000
2014	$96,000 - $116,000	$60,000 - $70,000
2015	$98,000 - $118,000	$61,000 - $71,000

If not covered by a company plan but the spouse is, the phase-out range for 2014 is $181,000-$191,000 and for 2015 is $183,000-$193,000. If filing married-separate, the phase-out range is $0- $10,000.

IRA and Roth IRA Contribution Limits

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2013	$5,500	$1,000	$6,500
2014	$5,500	$1,000	$6,500
2015	$5,500	$1,000	$6,500

A 2014 IRA or Roth IRA contribution can be made up to the tax filing due date, April 15, 2015. There is no extension beyond that date, regardless of whether an extension is filed for the tax return.

*Those who are 50 or older by year end can contribute an additional $1,000.

Phase-Out Ranges for Roth IRA Contributions

Year	Married/Joint	Single or Head of Household
2013	$178,000 - $188,000	$112,000 - $127,000
2014	$181,000 - $191,000	$114,000 - $129,000
2015	$183,000 - $193,000	$116,000 - $131,000

If filing married-separate, the phase-out range is $0- $10,000.

Employee Salary Deferral Limits for 401(k)s & 403(b)s

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2014	$17,500	$5,500	$23,000
2015	$18,000	$6,000	$24,000

Limits are per person; **not** per plan.
*Those who are 50 or older at year end can contribute an additional $6,000. The catch-up contributions are also eligible for employer matching contributions.

SEP IRA Contribution Limits
(Simplified Employee Pensions)

2014 The SEP limit for 2014 is 25% of up to $260,000 of compensation, limited to a maximum annual contribution of $52,000. This limit also applies to Keoghs and profit-sharing plans.

2015 The SEP limit for 2015 is 25% of up to $265,000 of compensation, limited to a maximum annual contribution of $53,000. This amount also applies to Keoghs and profit-sharing plans.

Catch-up contributions do **not** apply to SEP IRAs. They still apply to old SARSEPs in effect before 1997. No new SARSEPs were allowed after 1996.

SEP contributions can be made up to the due date of the tax return, including extensions. For example, a 2014 SEP contribution can be made up to April 15, 2015 or up to October 15, 2015 if a valid extension to October 15, 2015 is filed.

SIMPLE IRA Contribution Limits
Contribution Limits for Salary Deferrals

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2014	$12,000	$2,500	$14,500
2015	$12,500	$3,000	$15,500

*Those who are 50 or older by year end can contribute an additional $3,000. The catch-up contributions are also eligible for employer matching contributions.

2015 Estate & Gift Exemption Amounts

Estate Tax	$5,430,000
Generation Skipping Tax	$5,430,000
Gift Tax	$5,430,000
Annual Gift Tax Exclusion	$14,000

2015 Tax Planning

Taxable Income Brackets for 2015 *Ordinary* Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
39.6%*	Over $464,850	Over $413,200
35%	$411,501 – $464,850	$411,501 – $413,200
33%	$230,451 – $411,500	$189,301 – $411,500
28%	$151,201 – $230,450	$90,751 – $189,300
25%	$74,901 – $151,200	$37,451 – $90,750
15%	$18,451 – $74,900	$9,226 – $37,450
10%	$0 – $18,450	$0 – $9,225

The top rate is effectively 43.4% for those subject to the 3.8% Medicare surtax on net investment income.

Taxable Income Brackets for 2015 *Long Term Capital Gains and Qualified Dividends Tax*

Long Term Capital Gains Rate	Married Filing Joint	Single
20% *	Over $464,850	Over $413,200
15%**	$74,901 – $464,850	$37,451 – $413,200
0%	$0 – $74,900	$0 – $37,450

*The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income.

**Clients in the 15% LTCG tax bracket with MAGI over their 3.8% threshold ($250,000 joint filers/$200,000 single filers) will pay an effective rate of 18.8%.

2015 Adjusted Gross Income Thresholds for Phase-out of Personal Exemptions

Filing Status	Phaseout Begins*	Phaseout Complete
Married Filing Joint	$309,900	$432,400
Single	$258,250	$380,750

*The "Pease" limit, a 3% reduction in overall itemized deductions, also begins to impact clients at these thresholds. For every $1 of AGI over this threshold, a client will lose three cents of itemized deductions, up to a maximum of 80%.

2015 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate Tax	$5,430,000	40%
Gift Tax	$5,430,000	40%
GST Tax	$5,430,000	40%

*The estate and gift exemptions have been made permanently portable and can be transferred to a client's (surviving) spouse. The GST exemption is NOT portable.

Alternative Minimum Tax (AMT)
The AMT exemption amounts are permanently indexed for inflation. For 2015 the exemption amount is $83,400 married filing joint ($53,600 for singles, $41,700 married filing separate, $23,800 estates and trusts).

Qualified Charitable Distributions
Qualified charitable distributions (QCDs) expired after 2014, but will likely be renewed for 2015. IRA owners and IRA beneficiaries age 70½ or older can directly transfer up to $100,000 to a qualifying charity. The transfer can satisfy an RMD and is not included in a client's AGI.

In-Plan Roth Conversions Expanded
Clients no longer need to be eligible to take a distribution from their 401(k) and other plans to make in-plan Roth conversions. In-plan conversions are irrevocable and *cannot be recharacterized* like Roth IRA conversions. Plans are still not required to offer this feature.

2015 Tax Bracket Management at a Glance

Pay attention to tax brackets – Higher income clients will see their taxes increased due to top income and capital gain rates, the phase-out of itemized deductions and exemptions, the 3.8% surtax and the 0.9% surtax.

Top Income and Capital Gain Rates	Phase-Outs of Personal Exemptions and Itemized Deductions	3.8% Tax on Net Investment Income 0.9% Tax on Earned Income
Based on **taxable income** $464,850 married joint $413,200 single	Based on **AGI** $309,900 married joint $258,250 single	The 3.8% tax is based on **modified adjusted gross income** $250,000 married joint $200,000 single The 0.9% tax is based on **earned income** over these limits (wages and self-employment income)

Trust Tax Rates – Distributions from inherited IRAs that exceed **$12,300** and are made to and retained in discretionary trusts will be subject to the top 39.6% rate. Conduit trusts and Roth conversions during the IRA owner's life become more valuable.

ED SLOTT'S IRA Advisor

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