



Senior Tax and Insurance Advisors, PLLC

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## Social Security Maximization Workshop

Presenter: Philip D. Capriotti, Sr., CEO

*"It is our pleasure to be of service to our community."*

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***Congratulations for taking this important step towards your Retirement Planning!***

**We are happy to help** educate you on how to fully receive all of your entitled Retirement Benefits so that **you achieve your Retirement Financial Goals** through maximizing your family's lifetime Social Security benefits, minimizing or eliminating your retirement taxes, reducing taxes on IRA and 401K distributions, using RMD's to create a Tax-Free Legacy, and using IRS Section 7702 to create Tax Free Income.

Philip D. Capriotti, Sr., owner and CEO of Senior Tax and Insurance Advisors, PLLC, is a licensed FINRA Series 65 qualified investment advisor, a Social Security expert, as well an accredited Ed Slott Master Elite IRA advisor who has been teaching these workshops as a community service for over 7 years in the Austin area to help guide families through their retirement financial planning. Belonging to a national group of Social Security planning advisors with access to sophisticated Social Security strategy planning software and cutting-edge financial planning software, Mr. Capriotti, offers complimentary counseling to all workshop attendees so that they may develop a strategy towards achieving life-time income.

In that your Social Security Pension is the foundation of your life-time retirement income, with the new Social Security Laws recently passed in November 2015, it is now more important than ever to ensure you are utilizing the best possible strategies available to married, widowed, or divorced couples to receive the maximization benefits with which you are entitled. Single individuals will also gain valuable knowledge from this workshop, as there are several timing strategies that will maximize their Social Security retirement income as well.

We feel confident that you will find the information relayed at this workshop to be extremely useful and informative. ***We look forward to helping you in our office with any of the complimentary guidance that is only offered through this workshop.***

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# The Experts in Customized, Tax-Efficient Retirement Distribution

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“Most advisors focus on asset accumulation, but we specialize in the second part of the retirement plan [distribution phase].”

...  
Philip D. Capriotti Sr.  
President and CEO  
Senior Tax & Insurance  
Advisors PLLC

me personally to discuss a Retirement Income Plan, which structures their pensions, IRAs, tax implications, and other assets to create a customized strategy that aligns with their goals and retirement timeline. By the end of most sessions, we've also reduced their taxes,” says Capriotti.

## Comprehensive Guidance

Senior Tax & Insurance Advisors is equipped with a deep bench of qualified professionals, including CPAs, Registered Investment Advisors, a Certified Financial Planner™ professional, an estate and trust attorney, and back-office support personnel who ensure clients receive exceptional, attentive, and personalized service.

Additionally, Capriotti is a member of Ed Slott's Master Elite IRA Advisor Group<sup>SM</sup> a prestigious organization that requires re-testing every six months to ensure member-advisors are perpetually current.

“This year alone there have been 14 proposed changes in IRA distribution laws,” says Capriotti. “You won't hear about them on the news, but we're always watching. Clients can trust that we're up to date on the latest changes.”

In addition to Social Security and income distribution counseling, Senior Tax & Insurance Advisors and its associates also provide fiduciary-based money management, estate planning, special needs trust services, and a full scope of insurance services, including long-term care, Medicare Advantage Plans, Medicare supplement plans, and property and casualty insurance.

“We work with clients across a diverse economic spectrum to ensure their retirement income plans are as comprehensive, tax efficient, and benefit-maximized as possible,” Capriotti concludes.

**E**ntering retirement isn't as simple as quitting your job and pulling cash from an IRA. There are numerous factors to consider when determining when and how to utilize certain assets—and the best strategy is different for everyone.

“Many people are unknowingly setting themselves up for major retirement income challenges,” says Philip Capriotti, President and CEO of Senior Tax & Insurance Advisors. “Our goal is to help clients maximize their Social Security benefits, strategize their income planning, and minimize their taxes.”

At Senior Tax & Insurance Advisors, it starts with education. Complimentary Social Security workshops are held twice monthly in public libraries throughout Austin and surrounding communities. Prospective clients are also invited to attend



## Listen

to Phil Capriotti  
on Sundays from  
7 a.m. to 8 a.m.  
and 11 a.m. to  
noon on KJCE-AM  
1370 in Austin.

a complimentary office consultation during which they receive an individualized Social Security analysis and step-by-step instruction for maximizing their benefits.

“Clients are then welcome to meet with



**Senior Tax & Insurance Advisors, PLLC**  
Specializing in Tax Advantaged Retirement Planning

Senior Tax & Insurance Advisors PLLC

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## Common Terms and SS Earnings Report Instructions

### Common Terms:

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AIME	Average Indexed Monthly Earnings
AWI	Average Wage Index
COLA	Cost of Living Adjustments
CPI	Consumer Price Index
CPI-W	Urban Wage Earners and Clerical Workers
CRR	Center for Retirement Research
FRA	Full Retirement Age
GPO	Government Pension Offset
OASI	Old Term – Age of Survivors Trust Fund
PIA	Primary Insurance Amount
SSA	Social Security Administration
WEP	Windfall Elimination Provision

### How to obtain your most current Social Security Work History Report

- Go on-line to the Social Security main website at: <http://www.ssa.gov>
- Click on “Sign in” on upper right corner of webpage
- Under New User: create an account for each worker
- Login to the worker’s account
- Choose “Earnings Record”
- Print full-statement – we will need *all* pages.

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**For additional resources, visit us at: [www.seniortaxadvisors.com](http://www.seniortaxadvisors.com)**

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# One decision can impact your retirement by tens of thousands of dollars.

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Choosing the right Social Security election may be the most important decision of your retirement.

How much you receive from Social Security depends on three primary factors:

1. Your earnings record
2. When you elect
3. How long you expect to live

Since you can't go back and change your earnings record, and you have minimal control over how long you live, **calculating an expected lifetime benefit largely hinges on when and how you elect benefits.**

In theory, if you elect early, you will get a smaller benefit for a longer period of time. If you elect later, you will get a larger benefit for a shorter period of time. Single people can do a simple "break-even" analysis to determine whether to take early or wait. **But for married couples, the decision is much more complex.**

For married couples, a simple break-even analysis will usually give the wrong answer, costing you benefit dollars.

Why? Because Social Security offers three distinct benefits for married people:

1. Retired Worker Benefit – Based on your own earnings record
2. Spousal Benefit – Provides your spouse with a benefit once you claim your own benefit
3. Survivor Benefit – Provides your spouse with a benefit after your death

Virtually all of the simple break-even calculators in use today ignore the Spousal and Survivor benefits. Complex planning software includes spousal and survivor benefits but only for one combination of election ages. In short, neither tool offers a thorough analysis.



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Eligibility Requirements	
<b>Retired Worker</b>	Fully Insured (40 credits), attained age 62, filed an application
<b>Spousal Benefit -</b> <i>(married at least 1 year)</i>	Be the spouse of NH entitled to RIB or DIB, attained age 62, filed an application, claimant must not be entitled to a RIB based on a PIA which = to or greater than 1/2 the PIA of the NH
<b>Divorced spouse benefit -</b> <i>(been divorced 2 yrs or less, married totaling 10 yrs)</i>	Be the divorced spouse of NH entitled to RIB or DIB, attained age 62, filed an application, not currently married, claimant must not be entitled to a RIB based on a PIA which = to or greater than 1/2 the PIA of the NH
<b>Independently - Entitled Divorced Spouse -</b> <i>(divorced at least 2 continuous yrs, married totaling 10 yrs)</i>	Be the divorced spouse of a fully insured worker age 62, attained age 62, filed an application, not currently married, claimant must not be entitled to a RIB based on a PIA which = to or greater than 1/2 the PIA of the NH

Year of Birth	Full Retirement Age	Reduction/Credit by Election Age			Reduction Percentages	
		Age	Worker	Spouse	First 36 Months	Months in Excess of 36
1937 or earlier	65					
1938	65 yrs 2 mos	62	75%	70%	Spousal 25/36 of 1% /mo	5/12 of 1% /mo
1939	65 yrs 4 mos	63	80%	75%	Retirement 5/9 of 1% /mo	5/12 of 1% /mo
1940	65 yrs 6 mos	64	86.66%	83.33%		
1941	65 yrs 8 mos	65	93.33%	91.67%		
1942	65 yrs 10 mos	66	100%	100%		
1943-1954	66	67	108%	100%		
1955	66 yrs 2 mos	68	116%	100%		
1956	66 yrs 4 mos	69	124%	100%		
1957	66 yrs 6 mos	70	132%	100%		
1958	66 yrs 8 mos					
1959	66 yrs 10 mos					
1960 or later	67					

**New Law**  
Born on or before May 1, 1950, you can suspend or file and suspend although while in suspension a spousal or other auxiliary may collect benefits on your record. Requests for suspension must be received prior to April 30, 2016, restrict to only spousal.

Born May 2, 1950 - Jan. 1, 1954, you can suspend or file and suspend however by doing so auxiliary benefits will suspend, restrict to only spousal.

Born Jan. 2, 1954 and later, you can suspend or file and suspend however by doing so auxiliary benefits will suspend, restrict to only spousal not available.

Born between 1943-1954

Eligibility Requirements	
<b>Widow (survivor) Benefit -</b> <i>(married minimum 9 mos)</i>	Be the widow of a NH who died fully insured, attained age 60, be unmarried unless you remarried after reaching age 60, filed an application, not be entitled to RIB = to or greater than the deceased NH's PIA, proof of NH's death
<b>Surviving Divorced Spouse</b>	Be the surviving divorced spouse of a NH who died fully insured, attained age 60, be unmarried unless you remarried after reaching age 60, filed an application, not be entitled to RIB = to or greater than the deceased NH's PIA, proof of NH's death

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Widow Options	Year of Birth	Widow FRA	2016 Social Security Facts	
<b>Deceased DID file</b> <b>Filed prior to FRA:</b> Max Widow Benefit = Larger of deceased reduced benefit or 82.5% of deceased PIA <b>Filed After FRA:</b> Max Widow Benefit = Deceased Benefit including Delayed Retirement Credits	1939 or earlier	65	COLA	0.0%
	1940	65 yrs 2 mos	Maximum Taxable Earnings	\$118,500
	1941	65 yrs 4 mos	Quarter of Coverage	\$1,260
	1942	65 yrs 6 mos	Earnings Test Exempt Amount	
	1943	65 yrs 8 mos	Under FRA	\$15,720/yr (\$1,310/mo)
	1944	65 yrs 10 mos	Year individual reaches FRA	\$41,880/yr (\$3,490/mo)
	1945 - 1956	66		
	1957	66 yrs 2 mos		
	1958	66 yrs 4 mos		
	1959	66 yrs 6 mos		
<b>Deceased did NOT file</b> <b>Died prior to FRA:</b> Max Widow Benefit = PIA of Deceased <b>Died after FRA:</b> Max Widow Benefit = Deceased benefit as if deceased elected on date of death including Delayed Retirement Credits	1960	66 yrs 8 mos		
	1961	66 yrs 10 mos		
	1962 or later	67		

**Abbreviations**  
RIB - Retirement Insurance Benefit  
DIB - Disability Insurance Benefit  
NH - Number Holder (worker)  
PIA - Primary Insurance Amount  
FRA - Full Retirement Age



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**Your Social Security Timing Report**

**Prepared for: Joseph & Mary Lord**

**Prepared by: Philip Capriotti**

**On: Monday, June 20, 2016**

## Assumptions

	High Wage Earner	Spouse
<b>Name</b>	Joseph	Mary
<b>Date of Birth</b>	5/24/1949	7/22/1951
<b>Gender</b>	M	F
<b>Assumed Inflation</b>	1.00 %	
<b>Real Rate of Return</b>	1.00 %	
<b>Full Retirement Age</b>	66 years	66 years
<b>Income Need</b>	\$7,000	
<b>Survivor Need</b>	\$7,000	

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## Estimated Monthly Benefits

Age	62	63	64	65	66	67	68	69	70
Joseph	\$1,794	\$1,971	\$2,172	\$2,374	\$2,587	\$2,794	\$3,031	\$3,272	\$3,518
Mary	\$323	\$348	\$383	\$413	\$447	\$487	\$529	\$571	\$614

### Why are the estimated benefits different from my Social Security Statement?

Your Social Security Statement makes certain assumptions that differ from the assumptions we make in preparing your analysis.

First, Social Security assumes that the average wages will not increase in the future. Average wage statistics are used to index your past earnings to equal today's dollars, and to adjust formulas in the benefit calculation. We assume that the average wage will increase at the same pace as inflation, and we adjust your earnings as well as the formulas for future election years based on this assumption.

Second, your Social Security Statement does not include cost of living adjustments. Historically, cost of living adjustments have occurred regularly and a recent Social Security Trustees report (<http://www.ssa.gov/oact/tr/2015/>) assumes long term Cost of Living Adjustments to be between 1.8% and 3.8% per year with the most likely average being 2.7% per year. The benefit amounts above include Cost of Living adjustments based on the 1.00 % inflation assumption per year that you entered.

The raw dollar amount of your future benefit is of interest to most of our clients and as a result, we present that information above and through this report when potential benefit amounts are referenced. As a result, the monthly benefit amounts above and through the remainder of this report represent your benefits in future dollars. We have taken substantial care to utilize the lifetime values of different benefit elections in today's dollars, using a real rate of return of 1.00 %. Lifetime benefit values throughout this report represent the present value of benefits based on the estimated cashflows on the respective strategy cashflow tables. Cashflow tables are annual cashflows.

"Strategy" in this report is used to denote a set of Social Security claiming ages and techniques, not an investment strategy.

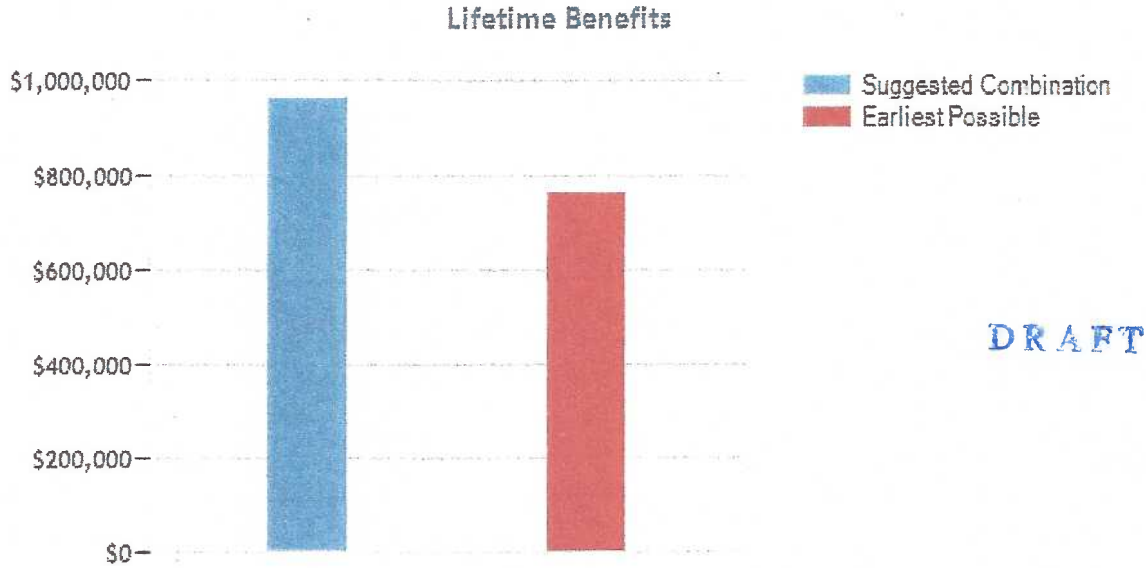
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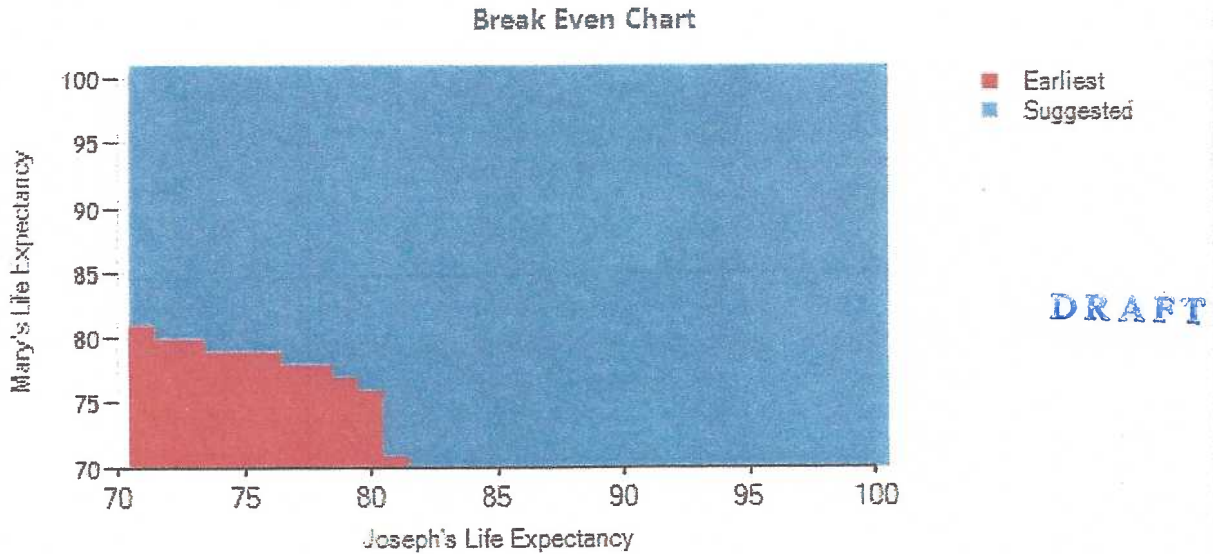
## Strategy Comparison

The expected lifetime family benefit using the **suggested** strategy is: **\$963,459**

- The expected lifetime family benefit for the **earliest** available combination is: **\$764,224**



**Graph represents present value of Lifetime Family Benefits.** The preceding chart and comparisons assume that Joseph dies at age 88 years and Mary dies at age 90 years.



Graph illustrates which of the outlined strategies provides the best outcome at any given set of whole year death age combinations. Break Even points occur at combinations where the strategy offering the best outcome changes. The Suggested strategy was determined by assuming Joseph dies at 88 years and Mary dies at 90 years.



## Your Suggested Social Security Strategy

### Joseph

- File a Restricted application for only your spousal benefit based on Mary's earnings record at your age **66 years**. This allows you to continue to earn delayed retirement credits on your own benefit. Your approximate spousal benefit would be **\$221**
- File for your own benefit at age **70 years**. Your approximate benefit on your own earnings record would be **\$3,518**.

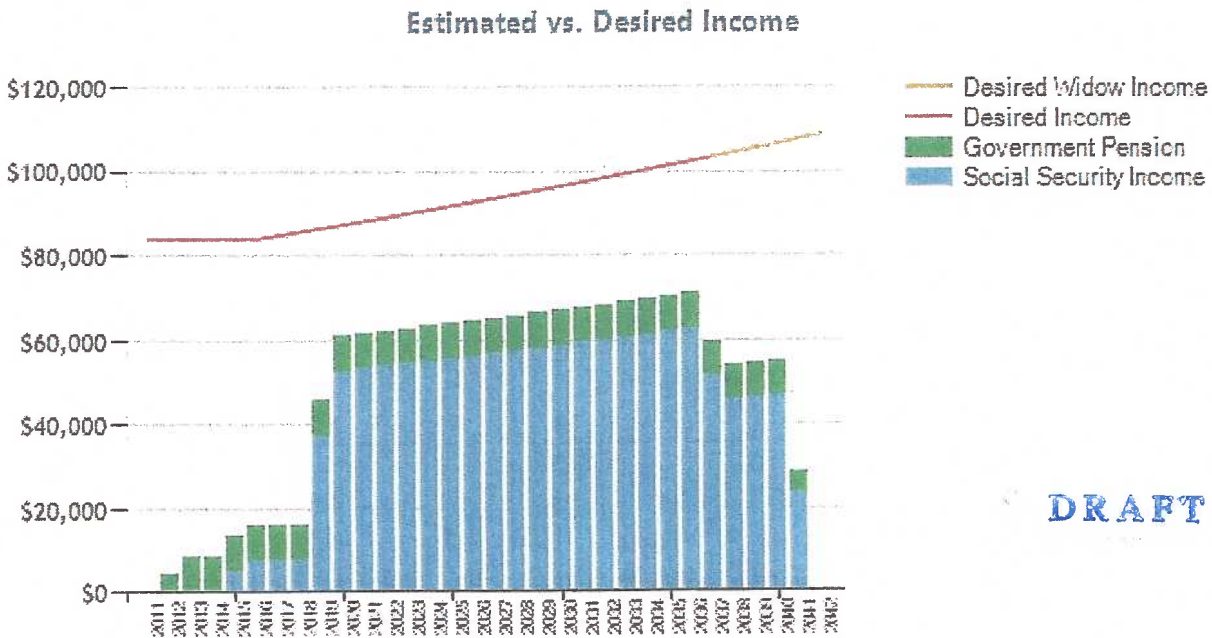
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### Mary

- File a standard application for benefits at age **63 years 10 months**. Your approximate monthly benefit would be **\$378**.
- When Joseph files for his own benefit, you will become entitled to an additional spousal benefit of approximately **\$410**, This should be applied automatically, but if it is not, contact your local Social Security office.

The expected lifetime family benefit using this strategy is: **\$963,459**

### Using the Suggested Election Ages



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The preceding charts demonstrate future value cashflows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income. The desired income line is generated based on user input and inflated for future value using the same inflation assumptions.

# Estimated Cashflows for your *Suggested* Social Security Strategy

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Joseph

Mary

**Combined Benefit Breakdown *Net Present Value***

**Combined Benefit Breakdown *Net Present Value***

Retirement Spousal Widow  
\$657,206 \$10,533 \$0

Retirement Spousal Widow  
\$90,806 \$83,566 \$121,347

## Expected Cashflow *Future Values*

Year	Joseph			Mary			Summary					
	Age	Retirement	Spousal	Widow	Age	Retirement	Spousal	Widow	Total	Other*	Need	Gap
2011	62	\$0	\$0	\$0	60	\$0	\$0	\$0	\$0	\$0	\$84,000	(\$84,000)
2012	63	\$0	\$0	\$0	61	\$0	\$0	\$0	\$0	\$4,200	\$84,000	(\$79,800)
2013	64	\$0	\$0	\$0	62	\$0	\$0	\$0	\$0	\$8,400	\$84,000	(\$75,600)
2014	65	\$0	\$0	\$0	63	\$0	\$0	\$0	\$0	\$8,400	\$84,000	(\$75,600)
2015	66	\$0	\$1,768	\$0	64	\$3,024	\$0	\$0	\$4,792	\$8,400	\$84,000	(\$70,808)
2016	67	\$0	\$2,652	\$0	65	\$4,536	\$0	\$0	\$7,188	\$8,400	\$84,000	(\$68,412)
2017	68	\$0	\$2,676	\$0	66	\$4,584	\$0	\$0	\$7,260	\$8,400	\$84,840	(\$69,180)
2018	69	\$0	\$2,700	\$0	67	\$4,632	\$0	\$0	\$7,332	\$8,400	\$85,688	(\$69,956)
2019	70	\$28,144	\$912	\$0	68	\$4,680	\$3,280	\$0	\$37,016	\$8,400	\$86,545	(\$41,129)
2020	71	\$42,636	\$0	\$0	69	\$4,728	\$5,016	\$0	\$52,380	\$8,400	\$87,410	(\$26,630)
2021	72	\$43,068	\$0	\$0	70	\$4,776	\$5,124	\$0	\$52,968	\$8,400	\$88,284	(\$26,916)
2022	73	\$43,500	\$0	\$0	71	\$4,824	\$5,232	\$0	\$53,556	\$8,400	\$89,167	(\$27,211)
2023	74	\$43,932	\$0	\$0	72	\$4,860	\$5,340	\$0	\$54,132	\$8,400	\$90,059	(\$27,527)
2024	75	\$44,364	\$0	\$0	73	\$4,908	\$5,448	\$0	\$54,720	\$8,400	\$90,959	(\$27,839)
2025	76	\$44,808	\$0	\$0	74	\$4,968	\$5,568	\$0	\$55,344	\$8,400	\$91,869	(\$28,125)
2026	77	\$45,264	\$0	\$0	75	\$5,016	\$5,676	\$0	\$55,956	\$8,400	\$92,788	(\$28,432)
2027	78	\$45,708	\$0	\$0	76	\$5,064	\$5,784	\$0	\$56,556	\$8,400	\$93,716	(\$28,760)
2028	79	\$46,164	\$0	\$0	77	\$5,112	\$5,904	\$0	\$57,180	\$8,400	\$94,653	(\$29,073)
2029	80	\$46,632	\$0	\$0	78	\$5,160	\$6,024	\$0	\$57,816	\$8,400	\$95,599	(\$29,383)
2030	81	\$47,100	\$0	\$0	79	\$5,208	\$6,132	\$0	\$58,440	\$8,400	\$96,555	(\$29,715)
2031	82	\$47,568	\$0	\$0	80	\$5,268	\$6,252	\$0	\$59,088	\$8,400	\$97,521	(\$30,033)
2032	83	\$48,036	\$0	\$0	81	\$5,316	\$6,372	\$0	\$59,724	\$8,400	\$98,496	(\$30,372)
2033	84	\$48,516	\$0	\$0	82	\$5,364	\$6,492	\$0	\$60,372	\$8,400	\$99,481	(\$30,709)
2034	85	\$49,008	\$0	\$0	83	\$5,424	\$6,612	\$0	\$61,044	\$8,400	\$100,476	(\$31,032)
2035	86	\$49,500	\$0	\$0	84	\$5,472	\$6,732	\$0	\$61,704	\$8,400	\$101,481	(\$31,377)
2036	87	\$49,992	\$0	\$0	85	\$5,532	\$6,864	\$0	\$62,388	\$8,400	\$102,495	(\$31,707)
2037	88	\$16,828	\$0	\$0	86	\$1,860	\$2,328	\$29,920	\$50,936	\$8,400	\$103,520	(\$44,184)
2038	89	\$0	\$0	\$0	87	\$0	\$0	\$45,384	\$45,384	\$8,400	\$104,556	(\$50,772)
2039	90	\$0	\$0	\$0	88	\$0	\$0	\$45,888	\$45,888	\$8,400	\$105,601	(\$51,313)
2040	91	\$0	\$0	\$0	89	\$0	\$0	\$46,404	\$46,404	\$8,400	\$106,657	(\$51,853)
2041	92	\$0	\$0	\$0	90	\$0	\$0	\$23,460	\$23,460	\$4,900	\$107,724	(\$79,364)
		\$830,768	\$10,708	\$0		\$110,316	\$106,180	\$191,056	\$1,249,028	\$244,300	\$2,900,140	(\$1,406,812)

\* Other Income is a combination of government pension and earnings entered.

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## Your *Earliest Possible* Social Security Strategy

### Joseph

- File a standard application for benefits at age **62 years 1 months**. Your approximate benefit on your own earnings record would be **\$1,794**

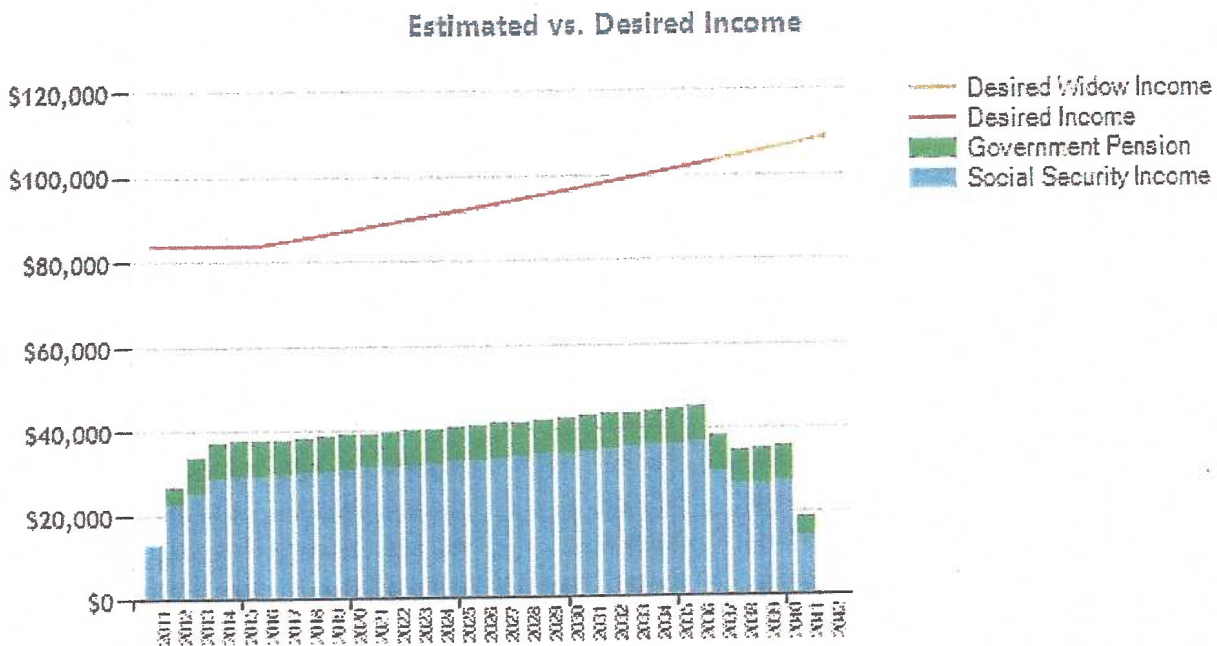
### Mary

- File a standard application for benefits at age **62 years 1 months**. Your approximate monthly benefit would be **\$436**. This represents a benefit of **\$323** on your earnings record plus an additional spousal benefit of **\$113**.

The expected lifetime family benefit using this strategy is: **\$764,224**

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### Using the Earliest Possible Election Ages



The preceding charts demonstrate future value cashflows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income. The desired income line is generated based on user input and inflated for future value using the same inflation assumptions.

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# Estimated Cashflows for your *Earliest Possible Social Security Strategy*

Joseph

Mary

Combined Benefit Breakdown *Net Present Value*

Combined Benefit Breakdown *Net Present Value*

Retirement Spousal Widow  
\$562,453 \$0 \$0

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Retirement Spousal Widow  
\$87,198 \$44,290 \$70,283

## Expected Cashflow *Future Values*

Year	Joseph				Mary				Summary			
	Age	Retirement	Spousal	Widow	Age	Retirement	Spousal	Widow	Total	Other*	Need	Gap
2011	62	\$12,558	\$0	\$0	60	\$0	\$0	\$0	\$12,558	\$0	\$84,000	(\$71,442)
2012	63	\$22,296	\$0	\$0	61	\$0	\$0	\$0	\$22,296	\$4,200	\$84,000	(\$57,504)
2013	64	\$22,680	\$0	\$0	62	\$1,615	\$565	\$0	\$24,860	\$8,400	\$84,000	(\$50,740)
2014	65	\$23,016	\$0	\$0	63	\$3,936	\$1,464	\$0	\$28,416	\$8,400	\$84,000	(\$47,184)
2015	66	\$23,412	\$0	\$0	64	\$4,008	\$1,584	\$0	\$29,004	\$8,400	\$84,000	(\$46,596)
2016	67	\$23,412	\$0	\$0	65	\$4,008	\$1,584	\$0	\$29,004	\$8,400	\$84,000	(\$46,596)
2017	68	\$23,640	\$0	\$0	66	\$4,044	\$1,656	\$0	\$29,340	\$8,400	\$84,840	(\$47,100)
2018	69	\$23,880	\$0	\$0	67	\$4,080	\$1,728	\$0	\$29,688	\$8,400	\$85,688	(\$47,600)
2019	70	\$24,120	\$0	\$0	68	\$4,128	\$1,800	\$0	\$30,048	\$8,400	\$86,545	(\$48,097)
2020	71	\$24,360	\$0	\$0	69	\$4,164	\$1,872	\$0	\$30,396	\$8,400	\$87,410	(\$48,614)
2021	72	\$24,600	\$0	\$0	70	\$4,200	\$1,956	\$0	\$30,756	\$8,400	\$88,284	(\$49,128)
2022	73	\$24,852	\$0	\$0	71	\$4,248	\$2,028	\$0	\$31,128	\$8,400	\$89,167	(\$49,639)
2023	74	\$25,092	\$0	\$0	72	\$4,284	\$2,100	\$0	\$31,476	\$8,400	\$90,059	(\$50,183)
2024	75	\$25,344	\$0	\$0	73	\$4,332	\$2,184	\$0	\$31,860	\$8,400	\$90,959	(\$50,699)
2025	76	\$25,596	\$0	\$0	74	\$4,368	\$2,256	\$0	\$32,220	\$8,400	\$91,869	(\$51,249)
2026	77	\$25,860	\$0	\$0	75	\$4,416	\$2,340	\$0	\$32,616	\$8,400	\$92,788	(\$51,772)
2027	78	\$26,112	\$0	\$0	76	\$4,464	\$2,424	\$0	\$33,000	\$8,400	\$93,716	(\$52,316)
2028	79	\$26,376	\$0	\$0	77	\$4,500	\$2,496	\$0	\$33,372	\$8,400	\$94,653	(\$52,881)
2029	80	\$26,640	\$0	\$0	78	\$4,548	\$2,580	\$0	\$33,768	\$8,400	\$95,599	(\$53,431)
2030	81	\$26,904	\$0	\$0	79	\$4,596	\$2,664	\$0	\$34,164	\$8,400	\$96,555	(\$53,991)
2031	82	\$27,168	\$0	\$0	80	\$4,644	\$2,748	\$0	\$34,560	\$8,400	\$97,521	(\$54,561)
2032	83	\$27,444	\$0	\$0	81	\$4,680	\$2,832	\$0	\$34,956	\$8,400	\$98,496	(\$55,140)
2033	84	\$27,720	\$0	\$0	82	\$4,728	\$2,916	\$0	\$35,364	\$8,400	\$99,481	(\$55,717)
2034	85	\$27,996	\$0	\$0	83	\$4,776	\$3,000	\$0	\$35,772	\$8,400	\$100,476	(\$56,304)
2035	86	\$28,272	\$0	\$0	84	\$4,824	\$3,084	\$0	\$36,180	\$8,400	\$101,481	(\$56,901)
2036	87	\$28,560	\$0	\$0	85	\$4,872	\$3,168	\$0	\$36,600	\$8,400	\$102,495	(\$57,495)
2037	88	\$9,616	\$0	\$0	86	\$1,640	\$1,088	\$17,296	\$29,640	\$8,400	\$103,520	(\$65,480)
2038	89	\$0	\$0	\$0	87	\$0	\$0	\$26,268	\$26,268	\$8,400	\$104,556	(\$69,888)
2039	90	\$0	\$0	\$0	88	\$0	\$0	\$26,580	\$26,580	\$8,400	\$105,601	(\$70,621)
2040	91	\$0	\$0	\$0	89	\$0	\$0	\$26,904	\$26,904	\$8,400	\$106,657	(\$71,353)
2041	92	\$0	\$0	\$0	90	\$0	\$0	\$13,614	\$13,614	\$4,900	\$107,724	(\$89,210)
		\$657,526	\$0	\$0		\$104,103	\$54,117	\$110,662	\$926,408	\$244,300	\$2,900,140	(\$1,729,432)

\* Other Income is a combination of government pension and earnings entered.



## Concepts for Married Couples

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Social Security offers three distinct types of benefits for retired workers and/or their spouses:

- a **Retirement benefit**, which is based on his or her own earnings record;
- an **Auxiliary Benefit**, which provides a worker's spouse or children with a benefit once the worker has claimed his own benefit; and
- a **Survivor Benefit**, which provides a surviving spouse or certain other dependents with a benefit after a worker's death.

After the passage of the Bipartisan Budget Act of 2015 (BBA), some previously available claiming strategies were modified or eliminated. This report incorporates those rules and evaluates the remaining available claiming strategies for your consideration. In general, strong claiming strategies for couples will work to intentionally maximize each of the three types of benefits.

**Retired Worker Benefit** – Retirement benefits may be available as early as age 62. Your benefit amount is calculated based on a formula that incorporates your highest 35 years of earnings. If you claim benefits at Full Retirement Age, which varies from 66 to 67 based on your year of birth, you will receive your full benefit, which is known as your “Primary Insurance Amount” (PIA). If you claim early, you will receive a reduced benefit and if you delay, your benefit will be increased by 8% per year (pro-rated by months) of delay up to age 70.

**Auxiliary Benefit** – The most common Auxiliary benefit for a married couple is the Spousal Benefit. Spousal benefits are generally available to the spouse of a worker who has been married to the worker for at least one year. The worker must either be receiving a Retirement Benefit or have suspended a Retirement Benefit on or before April 29<sup>th</sup>, 2016. The amount of the Spousal benefit is 50% of the worker's Primary Insurance Amount if claimed at Full Retirement Age. Spousal benefits are reduced if claimed prior to Full Retirement Age, but do not increase if delayed past Full Retirement Age. When an individual is simultaneously entitled to both a Spousal benefit and a Retirement benefit, the Spousal benefit is reduced by the greater of the Retirement benefit or if a reduced Retirement Benefit is taken, the PIA.

**Survivor Benefit** – The Survivor benefit is unique in that it is based both on when the deceased filed for benefits and when the Surviving spouse claims benefits. For example, if a higher wage earning spouse elects early, then dies, his spouse will be faced with a permanently reduced Survivor benefit, regardless of when she claims. If the higher wage earner delays claiming Retirement benefits, the available Survivor benefit is also increased.

**Restricted Application for Spousal Benefits** – Prior to the BBA, any program participant who had reached Full Retirement Age and was eligible for both his own Retirement benefit and a Spousal benefit could “restrict the application” to only Spousal benefits. By restricting the application to only Spousal benefits, entitlement to Retirement benefits was avoided. After claiming an unreduced Spousal benefit only for a period of time, the participant could switch to the Retirement benefit, which had been growing by 8% per year. After the BBA, this option is available only to people born on or before January 1<sup>st</sup>, 1954.

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# The Retirement Earnings Test

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## How does work affect Social Security?

You are able to work and receive Social Security retirement, spousal, or survivor's benefits. However, you may be subject to a reduction in benefits if you haven't attained full retirement age.

The Social Security Administration will withhold benefits during the year in which you work assuming that you provide an estimate to the Social Security office about your expected earnings. If you do not report estimated earnings, the SSA will withhold your monthly payments in the following year until all benefits that should have been withheld are paid in full.

## How much of my benefit will be withheld?

In 2016, you are allowed to earn up to \$15,720 before benefits are withheld. For every \$2 you earn above the exempt amount, \$1 dollar will be withheld. This applies to all years leading up to the year in which you attain your full retirement age. During the year you attain full retirement age the exempt amount increases to \$41,880 and for every \$3 you earn over the exempt amount \$1 will be withheld.

Even though your benefits are withheld they are not completely lost. Once you reach full retirement age, your benefits will be increased to account for the number of months that you did not receive a benefit. For example, if your full retirement age is 66 and you filed for benefits at 62 you received a reduction in benefits for taking benefits 48 months early. If 12 payments are withheld due to the earnings test, your benefits will be adjusted at your full retirement age and it will be as if you elected at age 63, or 36 months early.

## What is considered income?

If you are employed by someone else only wages are considered earned income for the purpose of the annual earnings test. For people who are self-employed only net earnings count. It is important to note that employee contributions to pension or retirement plans are included in gross wages.

Income that is not counted as earnings include:

- Government benefits,
- Investment earnings,
- Interest,
- Pensions,
- Annuities; and
- Capital gains

## Special Rule

For people who file for benefits mid-year and have already earned more than the exempt amount, the monthly earnings test is used. For any month during that first year that you earn under the monthly exempt amount, which is simply 1/12th of the annual exempt amount, you will receive your full benefit for that month, regardless of your earnings before you filed for benefits.

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## Windfall Elimination Provision & Government Pension Offset

### What is the Windfall Elimination Provision (WEP)

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WEP reduces Social Security Benefits for people who qualify for Social Security benefits due to their own covered employment and also have pensions from employment that was not taxed for Social Security purposes. Most often, the provision applies to state and local government workers, teachers, police, firefighters and similar positions. WEP modifies the Social Security formula for people who have fewer than 30 years of "Substantial Earnings" that were taxed for Social Security purposes.

The basic Social Security formula was designed to replace a larger percentage of pre-retirement income for lower income workers than for higher income workers. It accomplishes that goal by using two "bend points." Currently up to the first \$856 dollars of average monthly earnings, 90% is replaced by Social Security. Between \$856 and \$5,157, 32% is replaced by Social Security and over \$5,157, 15% is replaced by Social Security. In this way, lower income workers receive a higher replacement rate from Social Security than higher income workers.

For people who are subject to WEP, the first bracket is reduced from 90% to 40% for people with fewer than 21 years of substantial earnings in a Social Security covered job. For each year beyond 20, up to 30, the percentage is increased by 5% so that people who have 30 or more years of "substantial earnings" do not have a reduction due to WEP.

**Mary has 11 years of substantial earnings as of age 62 and 11 years of substantial earnings as of age 70.**

As a result, the benefits on the "Estimated Benefits" page reflect the calculation accounting for WEP. Any Spousal Benefits on the "Your Social Security Strategy" page also account for the reduction.

After Mary's death, the regular PIA formula is used to calculate survivor benefits. The "Cashflows" section of the report shows the survivor benefit without the reduction for WEP. Because the reduction for WEP does not apply to survivor benefits, your election strategy may be substantially influenced by survivor considerations

For more information on WEP, see this publication from Social Security: [www.ssa.gov/pubs/10045.html](http://www.ssa.gov/pubs/10045.html)

### What is the Government Pension Offset (GPO)

The government pension offset impacts the spousal and survivor benefits available to someone who also receives a government pension **based on his or her own work in a non Social Security Covered Job**. The amount of your government pension is multiplied by 2/3 and your spousal or survivor benefit is reduced by that amount.

**Mary's government pension of \$700 beginning in 2012 would result in a \$467 monthly reduction in spousal and survivor benefits.**

This reduction was accounted for in the determination of benefits and strategies and is also reflected in the "Cashflows" section of the report. If you would like more information on the GPO, please see this publication: [www.ssa.gov/pubs/10007.html](http://www.ssa.gov/pubs/10007.html)

Interestingly, neither the WEP or GPO impact you if you receive a survivors pension from your spouse who worked in a non-social security covered job. You would receive full survivor's benefits because the normal benefit formula (not the WEP formula) would apply, and your benefit would not be reduced by GPO because the pension you receive is not based on your own work record.

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## Disclosures

This report is intended as a diagnostic tool to suggest potential election options that may be beneficial. The election options considered may not be exhaustive. While substantial effort has been taken to ensure the accuracy of all calculations, we provide no guarantees. Further, this report can not anticipate future changes to the Social Security System, formulae, or claiming rules.

This report specifically excludes the following situations:

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1. This report does not account for disability years. If you have years in which you received Social Security Disability benefits, the result will be inaccurate.
2. This report may incorporate Social Security's Annual Earnings Test. It does not incorporate the Monthly Earnings Test.
3. This report does not incorporate children's benefits, dependent parent's benefits, or the family maximum calculation.
4. This report assumes that the surviving spouse will begin receiving the higher of his or her own benefit, or the deceased spouse's benefit at the time of the first death. Further, the calculation does not assume election of widow's benefits prior to age 70. As a result, if the date of death for either spouse is prior to the survivor's age 70, the results will be inaccurate.
5. This report does not treat Railroad or Military earnings separately. Workers who have 10+ years of Railroad earnings, or certain military service may experience inaccurate results.
6. We assume "Fully Insured" status. If you have not reached fully insured status for retirement benefits, the results will be inaccurate.

Election options also must be coordinated with your other retirement planning. The contents of this report when judged in the context of your overall financial plan may not be optimal for your circumstances, as it may cause unacceptable trade-offs with your other investment assets. Please seek the advice of your own tax, financial, and legal advisors before implementing any strategies contained in this report.

In this report, life expectancy assumptions may be manually entered, or based on Social Security mortality tables, available at [www.ssa.gov/OACT/STATS/table4c6.html](http://www.ssa.gov/OACT/STATS/table4c6.html). Report contents and calculations provided by Social Security Timing.

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**LOCAL AUSTIN, TEXAS ADVISOR, PHILIP D. CAPRIOTTI, SR.  
LEARNS NEW TAX LAWS AND RETIREMENT ACCOUNT PLANNING STRATEGIES  
FROM AMERICA'S IRA EXPERTS**

*Ed Slott and Company, LLC Holds Exclusive Workshop for Financial Advisors to  
Complete Advanced Training*

AUSTIN, TX – 11/03/2016 – **Philip D. Capriotti, Sr.**, President and CEO of Senior Tax and Insurance Advisors, PLLC **completed advanced technical training** while attending Ed Slott's Elite IRA Advisor Group<sup>SM</sup> workshop in Denver, Colorado on October 27, 2016. The workshop provided the latest updates on tax laws and retirement account planning strategies for financial advisors interested in expanding and maintaining their IRA knowledge for the benefit of their clients.

"Many investors are concerned for their financial future" says **Ed Slott, CPA, a nationally recognized IRA expert who was named "The Best Source for IRA Advice" by *The Wall Street Journal***. "We educate these top advisors on how to identify IRA related mistakes through real-world examples and provide them with valuable action steps to take to help their clients avoid planning errors in the future."

Philip D. Capriotti, Sr. received training on new laws and regulations passed in 2015 that impact retirement and other tax-favored accounts, including the introduction of ABLE (Achieving a Better Life Experience) accounts for young disabled children as well as spousal IRA beneficiary benefits for same-sex couples. Additional topics covered included the expansion of a 10% penalty exception for public safety workers and updates on 60-day rollover rulings for 2015.

As a part of an ongoing commitment to his clients, **Philip D. Capriotti, Sr. is a member of Ed Slott's Elite IRA Advisor Group<sup>SM</sup>**, a group of the **nation's top financial professionals** committed to expert education on Roth conversion planning, estate planning and leveraging current tax laws in an effort to ensure their clients' retirement accounts are set up and maintained as tax-efficiently as possible.

"Having a properly trained and educated advisor is important to ensure one's financial success during retirement," says Slott. "If an advisor is well-trained in high-level retirement planning strategies, including tax planning, individuals can have a better shot at keeping more of their money safe from Uncle Sam."

Philip D. Capriotti, Sr. welcomes requests for more information about retirement planning. Please visit [www.seniortaxadvisors.com](http://www.seniortaxadvisors.com) or call (512) 833-6557.

**ABOUT ED SLOTT and COMPANY, LLC:** Ed Slott and Company, LLC is the nation's leading provider of IRA training for financial advisors. Mr. Slott is a nationally recognized IRA distribution expert, best-selling author, a professional speaker, and the creator of several public television specials, including *Ed Slott's Retirement Road Map*.

**ABOUT SENIOR TAX AND INSURANCE ADVISORS, PLLC:** Philip D. Capriotti, Sr. founded his company in 2005 to help his clients who were approaching retirement. Phil wanted to assist his clients in structuring a comprehensive, realistic **Retirement Income Plan**, based on distribution planning, rather than on traditional "Nest Egg" or accumulation planning. As an Ed Slott Master Elite IRA Advisor, a Social Security Maximization Specialist, an accountant, a Financial Advisor and Retirement Planner, Phil educates his clients, so they can make solid, risk-free retirement planning decisions.





# ED SLOTT'S IRA ADVISOR

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March 2015

## TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

### Client's Team of "Professional Advisors" Fail to Prevent Failed Rollover... 3 Different Ways!

PLR 201506016  
Released by IRS February 6, 2015

The IRS denied a taxpayer's request to waive the 60-day rollover rule when he couldn't prove that his medical condition affected his ability to timely rollover IRA distributions. He tried to buy real estate as an IRA investment but didn't know how to do it properly despite having a team of professional advisors.

#### *Facts of the PLR*

"Frank's" intention was to buy an investment property and "place it into" his self-directed IRA. To make sure everything was done correctly, he hired a CPA, lawyer, financial advisor and a realtor to help him with the transaction. So far, so good. On February 1, 2013 and February 6, 2013, Frank took two IRA distributions that he used to buy the investment property. By doing so, Frank had already doomed his transaction to failure. He had taken two distributions from one IRA on two different dates and following the once-per-year rollover rule (both the

**He used the money from his IRA distributions to buy the investment property *outside* of his IRA. He then intended to put the property *into* his IRA.**

"new" and the "old" interpretation of the rule), only one of them was eligible for rollover. However, he went on to make matters worse. He used the money from his IRA distributions to buy the investment property *outside* of his IRA. He then intended to put the property *into* his IRA, completing what he thought would be a 60-day rollover.

60 days passed rather quickly, and at that time, neither Frank, nor his "crack" team of experts, realized that his investment property had not yet been placed into his IRA. To try and resolve his dilemma, Frank submitted a private letter ruling (PLR) request to the IRS, asking for an extension of the 60-day rollover period so he could eliminate the taxes on the IRA distributions.

In his request, Frank placed no blame at all on his financial advisor or other professionals, such as his CPA or lawyer. He did not claim that they had made a mistake or that they had given him bad advice. In fact, Frank represented that he, and not his professional advisors, had

### WHAT'S INSIDE?

#### *Client's Team of "Professional Advisors" Fail to Prevent Failed Rollover... 3 Different Ways!*

- Facts of the PLR
- The IRS Ruling
- "Same-Property" IRA Rollover Rules
- Professional Advisors Didn't Provide Much Advice
- Real Estate in an IRA Can Be Tricky
- Advisor Action Plan

- Pages 1-3

#### *Couple's \$400K IRA Contributions Leads to 6% Excess Contribution Penalty*

- Facts of the Case
- The Court's Ruling

- Pages 3-4

#### *Retirement Account Provisions in President Obama's 2016 Fiscal Year Budget*

- Pages 4-5

#### *Guest IRA Expert*

Michael J. Jones, CPA  
Thompson Jones LLP  
Monterey, CA  
A CRUT May Replace (Or Even Beat) A Stretch IRA

- Pages 5-7

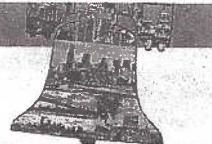
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SEE PAGE 8 FOR SPECIAL SAVINGS





matter is that unlike other retirement account penalties, like the 50% penalty for failing to timely take a Required Minimum Distribution (RMD), neither the Court nor the IRS has the legal authority to waive the 6% penalty. The

Wus were fighting a battle they could not possibly have won. The Wus clearly exceeded the applicable limit for 2007, thus, they were subject to the 6% penalty for each year until the excess was removed. ■

## Retirement Account Provisions in President Obama's 2016 Fiscal Year Budget

On Monday, February 2, 2015, President Obama's Fiscal Year 2016 budget was unveiled to the American public, along with the Department of Treasury's Greenbook, which provides further explanation and details of the proposals in the President's budget. In all, the budget included some 14 provisions that would directly impact the rules for retirement accounts. Of course, the reality is that the President's budget is more of a "wish-list" than anything – a fact that is even more the case now with Republicans in control of both the House and the Senate. That said, the budget provides a good indication of where the administration's collective mind is and what policy goals it hopes to achieve. The following is a brief synopsis of the 14 budget provisions that would directly impact retirement accounts:

**#1 - Eliminate the Special Tax Break for NUA** - NUA (net unrealized appreciation) would be eliminated if this proposal were to become law. To be eligible for this special tax break, clients must have appreciated stock of their employer (or former employer) inside their employer (or former employer's) sponsored retirement plan. Currently, clients that follow certain rules can pay tax on this gain at long-term capital gains rates, but if this provision were enacted, those gains would be taxed at ordinary income tax rates like other retirement account distributions. Plan participants 50 or older by the end of this year (2015) would be grandfathered into the existing rules.

**#2 - Limit Roth Conversions to Pre-Tax Dollars** - After-tax money held in a client's traditional IRA or employer-sponsored retirement plan would no longer be eligible for conversion to a Roth account. Perhaps the only bit of good news to come out of this provision is that its inclusion in the budget appears to be a tacit endorsement of the so-called "back-door" Roth strategy that some have claimed is a violation of the step-transaction rule.

**#3 - Create RMDs for Roth IRA Owners** - In order to 'simplify' the Required Minimum Distribution (RMD) rules, this proposal would require clients to take distributions from their Roth IRAs once they turn 70½ in the same manner they do with their traditional IRAs. Clients 70½ or older at the end of this year (2015) would be grandfathered in to the existing rules.

**#4 - Eliminate RMDs if Your Total Savings in Tax-Favored Retirement Accounts is \$100,000 or Less** - If clients have \$100,000 or less across all their tax-favored retirement accounts, such as IRAs and 401(k)s, then

they would be completely exempt from RMDs. Defined benefit pensions paid in some form of a life annuity would be excluded from this calculation.

**#5 - Create a 28% Maximum Tax Benefit for Contributions to Retirement Accounts** - The maximum tax benefit a client could receive for making a contribution to a retirement plan, like an IRA or 401(k), would be limited to 28%. Thus, clients in the 28% ordinary income tax bracket or lower would be unaffected by this provision, but those in higher tax brackets, such as the 33%, 35%, or top 39.6% brackets, would no longer receive the full tax benefit for amount contributed or deferred into a retirement plan.

**#6 - Establish a "Cap" on Retirement Savings Prohibiting Additional Contributions** - Clients would be prevented from making any new contributions to tax-favored retirement accounts once they exceeded an established "cap." The cap would be calculated by determining the lump-sum payment it would take to produce a joint and 100% survivor annuity of \$210,000 per year, beginning when you turn 62. Currently, this would cap retirement savings at approximately \$3.4 million, but would be adjusted in the future to account for cost-of-living adjustments.

**#7 - Create a new "Hardship" Exception to the 10% Penalty for the Long-Term Unemployed** - A new 10% early distribution penalty exception would be created to help those with financial hardships due to being unemployed for long periods of time. In order to qualify, an individual would have to be unemployed for more than 26 weeks and receive unemployment compensation during that period (or less if due to State law). Furthermore, the distribution would have to occur in either the year the unemployment compensation was paid, or the following year. Qualifying individuals would be eligible to use this exception for at least \$10,000 of their eligible retirement account distributions. However, if half of their IRA balance or plan balance exceeded this amount, then that amount, up to \$50,000, would be eligible for the exception.

**#8 - Mandatory 5-Year Rule for Non-Spouse Beneficiaries** - The overwhelming majority of non-spouse beneficiaries would be forced to empty their inherited retirement accounts by the end of the fifth year after the account owner's death. This provision would effectively mark the death of the "stretch IRA," and all the tax benefits that come along with it. The provision would,



however, exempt certain beneficiaries, such as those that are disabled, chronically ill and are not more than 10 years younger than the deceased retirement account owner from the more restrictive rules. Minor children would also be given a break, but would still be required to distribute their inherited retirement account no later than five years after they reach the age of majority. The proposal would not impact those who are already beneficiaries, but rather, only those who inherit in 2016 and beyond.

**#9 - Allow Non-Spouse Beneficiaries to Complete 60-Day Rollovers for Inherited IRAs** – Non-spouse beneficiaries would be allowed to move money from one inherited retirement account to another via a 60-day rollover, in a similar fashion to the way retirement account owners can move their own savings.

**#10 - Require Retirement Plans to Allow Participation from Long-Term Part-Time Workers** – Retirement plans would be required to allow participation from workers who have worked at least 500 hours per year for three consecutive years with the sponsoring employer. Employees eligible to participate in a plan because of this provision would not be required to receive employer contributions, however, including employer matching contributions.

**#11 - Require Form W-2 Reporting for Employer Contributions to Defined Contribution Retirement Plans** – Companies would have to report any amounts they contribute to an employee's defined contribution retirement plan (i.e., 401(k)) on the employee's Form W-2.

**#12 - Mandatory Auto-Enrollment IRAs for Certain Small Businesses** – Employers in business for at least two years and that have more than ten employees would be required to offer an automatic payroll deduction IRA if it doesn't already offer another type of retirement plan. Employees would be able to choose between allocating their salary deferrals to a traditional IRA or a Roth IRA. In the absence of an election, employees would automatically be enrolled at a default rate of 3%, and contributions would be made to a Roth IRA. To offset some of the costs associated with establishing the automatic IRAs and to further encourage employers to offer more robust retirement savings options, the proposal would also expand existing tax credits, while establishing some new ones as well.

**#13 - Facilitate Annuity Portability** – If an employer-sponsored retirement plan decided to offer an annuity investment within the plan, but at some later point changed its mind and prohibited such an investment from being authorized to be held under the plan, plan participants would be eligible to roll over the annuity within their plan to an IRA or other retirement account via a direct rollover. This distribution would be allowed even if such a distribution would otherwise be prohibited.

**#14 - Eliminate Deductions for Dividends on Stock of Publicly-Traded Companies Held in ESOPs** – In general, *publicly-traded* companies would no longer be allowed to claim a deduction for dividends paid that are attributable to stock held in an ESOP (employee stock ownership plan). ■

## Guest IRA Expert

Michael J. Jones, CPA  
Thompson Jones LLP  
Monterey, CA



## A CRUT May Replace (Or Even Beat) A Stretch IRA

Stretching required minimum distributions (RMDs) from inherited retirement accounts over many years has become an integral part of estate planning. However, some members of Congress and, apparently, President Obama favor severely curtailing this tax deferral opportunity for most account owners. Some observers believe that reining in the stretch IRA (and the stretch 401(k), the stretch 403(b), etc.) is just a matter of time.

The stretch-killing proposal that has been advanced a number of times by the Obama administration would require all inherited tax-favored retirement accounts to be

emptied within five years of the owner's death. Exceptions would be made for certain beneficiaries – most notably, surviving spouses. Children and grandchildren generally would not be able to stretch RMDs over life expectancies of 20, 30, 40 years or longer.

### *Charitable Remainder Trusts as a Stretch Replacement*

Advisors seeking alternatives might consider suggesting a charitable remainder unitrust (CRUT) as the beneficiary of a client's IRA or company plan. This strategy can replace a significant portion of the stretch benefits that IRA beneficiaries, who otherwise would be forced into the five-year rule, stand to lose. These benefits to human beneficiaries would be supplemented by the additional amounts that charities would receive.

In brief, a charitable remainder trust provides cash flow to an individual or individuals. The payments may be for life or, alternatively, for 20 years or less. When those payments end, the remaining assets in the trust go to a charity or charities.

According to the IRS, most charitable remainder trusts are unitrusts, meaning that the income beneficiaries

# Don't Rely on Your IRA Custodian to Pay You Your Required Minimum Distribution

Wednesday, April 02, 2014



DRAFT

As we enter April 2014, many of you are having your taxes prepared for 2013. Maybe you're having your taxes done by a professional tax-preparer such as a CPA or other professional, or maybe you're doing it yourself - hello Turbo Tax!

Either way, if you were age 70 ½ or older in 2013, you had to take a required minimum distribution (RMD) from your IRA for 2013 (we discuss the firm deadline for taking this distribution in this IRAtv video). Your RMD is taxable and must be reported on your federal income tax return.

The due date for taking your 2013 IRA RMD for most of you was December 31, 2013. If you were older than age 70 ½ last year, then your 2013 IRA RMD should have been taken by December 31 of last year. If you turned age 70 ½ in 2013, then your deadline to take your 2013 IRA RMD was April 1, 2014. Regardless, if you missed the deadline, **you're subject to a 50% penalty**, known as the excess accumulation penalty.

As your tax return for 2013 is being prepared, maybe you're discovering that you missed your RMD deadline. You may think that it's the IRA custodian's fault for not paying you your RMD. After all, isn't it their job to pay you your RMD? *The simple answer is no.*

We refer to the financial institution that's holding your IRA funds as your IRA custodian. While the custodian is responsible for notifying you about your RMD, the custodian is not responsible for making sure you actually take it. You should have been notified about your 2013 RMD by January 31, 2013. Typically, that RMD notification was part of the information contained in your IRA fair market value statement that you were sent. Beyond the RMD notification, there is no rule that forces custodians to make another attempt to contact you and make sure you took your RMD. While some IRA custodians, as a customer service, make more of an effort to contact their IRA customers about taking their RMD, they don't have to do this.

Note: if you missed the RMD deadline, you can potentially get the 50% penalty waived for reasonable cause by filing IRS Form 5329, taking your RMD (albeit late) and attaching a letter of explanation.

2014 Retirement Guide Helps You Save and Stretch Wealth

- By Joe Cicchinelli and Jared Trexler

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It has been our pleasure hosting this workshop for you. We hope that you found it to be both educational and informative. The complimentary retirement planning consultations and reports offered through this workshop are for your planning purposes only.\*

*\*There will be no charge for these retirement planning consultations or reports.*

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