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Protecting A Lifetime Of Memories

Where Your Retirement Dreams Become Reality...

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Understanding Required Minimum Distributions From IRA's

What are Required Minimum Distributions?

Beginning when they reach the age of 70 ½, IRA owner's must start taking withdrawals from their account each year. These withdrawals are known as RMDs (Required Minimum Distributions)

A choice can be made to delay the first of theses distributions until April 1st following the year the account holder reaches 70 ½. If the choice is made to delay the first RMD, rather than taking it by December 31st of the year in which the account holder reaches 70 ½, then he or she will have to take two distributions in that year. They will be required to take one by April 1st and another one by December 31st. Distributions must then be made by December 31st of each subsequent year.

Please remember that by delaying the first distribution, the following year both distributions will be counted as taxable income.

Be Cautious: If the account holder fails to take out the RMDs it can result in an IRS penalty of 50% on the amount that should have been distributed.

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The Secret To Never Running Out Of Money

As people around the world continue to live longer, it has become necessary to better prepare for the years of retirement. With this increased lifespan, healthy individuals can expect to live well past age 65. When an individual has ceased working, the need to provide some sort of steady income becomes important. Making wise investments, such as purchasing annuities, becomes an important part of the long-range plan for a successful retirement.

Annuities can be confusing and many would-be investors often confuse annuities with life insurance. An annuity is an investment contract or policy between an individual and a life insurance company. Simply put, the investor buys life insurance in case they die too early and he purchases an annuity in the event that he lives too long. While that may seem silly, the fact remains that many individuals aren't financially prepared for the years following retirement. Annuities can help.

Different needs and budgets dictate the purchase of different varieties of annuities. If you need income now, you should consider investing in an immediate annuity. In this instance, the investor pays the insurer a lump sum of money in exchange for receiving income for a set period of time or for as long as he/she lives. You'll usually start receiving payments immediately after transferring funds into this type of annuity.

If you're looking for a long-term retirement savings vehicle, the deferred annuity should be your financial tool of choice. Deferred annuities build savings on a tax-deferred basis.

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Interesting Facts:

-Tug of War was an Olympic event between 1900 and 1920.

-The state sport of Maryland is Jousting.

-The king of hearts is the only king without a moustache on a standard playing card!

-Pittsburgh is the only city where all major sports teams have the same colors: Black and gold.

-It is believed that Walt Disney, the creator of Mickey Mouse, was afraid of mice.

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Call now while supplies last.

"Our present circumstances don't determine where you can go; they merely determine where you start."
-Nido Qubein

FAQ

How often should I review my policy?

You should review all of your insurance policies at least once a year to make sure they measure up to your current needs. If you have a major life change, you should contact your insurance agent or company representative ASAP. The change in your life may have a significant impact on your insurance needs.

Life changes may include:

- Marriage or divorce
- A child or grandchild who is born or adopted
- Significant changes in your health or that of your spouse/domestic partner
- Taking on the financial responsibility of an aging parent
- Purchasing a new home
- A loved one who requires long-term care
- Refinancing your home
- Coming into an inheritance
- Any other financial hardship

These are just a sample of the life changes! Don't get caught off guard; make sure you have the coverage you want and need!

Understanding Required Minimum Distributions From IRA's

Changes to the RMD Rules.

In January 2001, the IRS proposed revised rules for the Required Minimum Distributions. These rules, finalized in April 2002, eliminated the need to make elections for life expectancy or calculation methods, as under the old rules. In addition, you no longer have to name a beneficiary before you begin taking your Required Minimum Distribution from the account.

Why is this important? Once an individual selected a method, it could not be changed. Many times it resulted in an IRA being completely liquidated after the owner's death, leaving a huge tax bill for the beneficiaries.

Benefits to the new RMD rules

Under the 2002 rules, you can designate a beneficiary or change a designation after you reach the age 70 ½ without affecting your RMD calculation.

Virtually, in all cases, the amount of money you must withdraw when you start taking distributions has declined as a result of the new RMD rules. Smaller distributions will mean that your tax bill will potentially be lower because taxes only apply to money when it's withdrawn from your account.

As a result, a larger portion of your assets can continue to grow tax-deferred to help build wealth, which can result in more of your IRA assets going to your beneficiaries.

To find out more about the Required Minimum Distributions changes or to get an RMD calculation Please call our office today.

The Secret To Never Running Out Of Money

You'll also need to decide whether you prefer a fixed-rate, indexed or a variable annuity. Those who prefer not to take a risk with their dollars may choose the fixed rate, which provides a stable and guaranteed rate of return. The variable annuity involves investing your money in the stock or bond market, therefore assuming a higher financial risk in favor of a more profitable rate of return. Younger investors who have more time to save often choose this type of annuity. The indexed annuity provides the best of both world, with principal guarantees and the upside of the stock market without the downside risk! You can't lose money.

These products can be purchased through insurance agents, financial planners, and banks. However, only life insurance companies issue the policies. If you're shopping for this type of investment, be sure to make your purchase through someone who is well-versed in the specifics of these investments and will take the time to speak with you so that he/she may recommend the right annuity for your needs.

To review your plan and make sure you never run out of money. Call my office today!