# Protect Your IRA

*Avoid the 5 Common Mistakes*

Matthew D. Deliberato, Esq.
David J. Zumpano, CPA, Esq.

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## A Note From The Author

As a practicing Estate Planning, Elder Law and Asset Protection attorney, I meet hundreds of people each year. One of the questions I get all the time is, “How can I protect my assets from the government and long-term care costs?” Before I can answer this often asked question, I need to understand the types of assets owned, so I can determine the easiest way to help protect them. For many people, a large portion of their assets is an IRA or other form of qualified (not yet taxed) money. Since beginning my practice almost 17 years ago, I've met many people who become confused and frustrated when trying to understand all the rules regarding their IRAs.

One of the primary reasons for this confusion is they get information from so many different sources and each source focuses on a different issue. For example, if you ask an accountant, their number one goal is typically to minimize taxes. If you ask a financial advisor, their focus is typically on maintaining and growing the IRA and if you ask an estate planning attorney, they usually focus on ensuring who you want to get your IRA actually gets it. The problem is, *no one is guiding you on all of it as it pertains to your overall goals*. When you look at all the different interests to consider, 99 times out of a hundred, each professional (or other source of your information) will have a different opinion, strategy or recommendation to your questions. My approach is to first identify your goals, then work with your other professionals to ensure that together, we accomplish them. Once I understand your goals, then and only then, can I begin to teach you the laws and rules relevant to

help you (you don't need to know them all, that's what we are here for!).

This book is the first step in helping you understand the most common mistakes individuals (and their professionals) make and how to avoid them. As you will discover, saving income taxes today is not as great as its made out to be; taking your IRA money too soon or too late, leads to significant penalties; not understanding how your state Medicaid department treats IRA's, can result in you losing your entire IRA to long-term care costs; subjecting your IRA to estate taxes can result in your beneficiaries only getting pennies on a dollar; and naming your beneficiaries as beneficiary on your IRA actually "unprotects" it!

Knowledge is power. Getting it simply is even better, that's why I wrote this in plain English using easy to understand scenarios and diagrams and kept it short so you get the most important information to protect your IRA.

Enjoy the Book!

*Matt & Dave*

# The 3 Reasons Most People Experience Confusion with Their IRAs

We are in a world of information overload. No matter where you turn, someone has an opinion on what you should be doing in retirement with your money. The problem is that we don't have someone taking all this information and distilling it in a way that's useful to you. For example, your IRA is a very complex financial asset created by the Internal Revenue Code, which as you know, has lots of regulations. IRAs are not like a house, stock or a bank account. IRAs have rules and regulations that must be followed or you can violate the tax code and result in the loss of the tax favored treatment and even incur penalties that you would never be subject to with your other assets. What the government giveth, it can take away with a vengeance and understanding the different rules in relation to your personal goals are critical.

The most important place to begin this journey is to get really clear on your goals. Not being clear on your goals leads to tremendous confusion. Do you want to preserve and grow your IRA for use later in life? Are you growing it to pass it to your loved ones? Do you want to protect it from long-term care costs? Is minimizing taxes more important than your other goals? Getting clear on your goals is essential for me to help you achieve them within the government’s rules and regulations.

The second reason IRAs can be so confusing is because people typically have these assets for decades, and depending on what stage of life they

are in, have different goals. Someone in their 20s or 30s is beginning to fund an IRA, while someone in their 50s is typically interested in ensuring the amount in their IRA will support their retirement needs. If you are retired, you likely want to ensure your IRA is there to help you maintain your lifestyle and if you are a super senior (beyond 80) you may want to be growing it to leave to your loved ones. Everyone has a different need for their IRA which, depending on who you are talking to, will be focusing on different rules related to an IRA. This often leads to what I call the “beauty shop” rules and “coffee shop” rules being applied (that is what you learn talking to your friends at the beauty shop and coffee shop, which may have happened to them or someone they know, but may not actually apply to you).

The third reason IRAs create confusion is because of the different professionals you rely on for advice. Most are well intentioned, but sometimes there are “blind spots” because so many professionals hyper focus on what they know (and unfortunately sometimes think they know more than the professionals that serve in other roles). The most common professional used when planning with IRAs is a Certified Public Accountant (CPA). CPA’s or other tax preparers’ primary goal is to minimize your income taxes. People also converse with their financial professionals to guide them with the different financial strategies and investments they want to make with their IRAs. The third professional people typically deal with is a lawyer. The lawyer wants to help you make sure what you have, gets to the people you want, when you want. Many people also want to make sure their IRAs are protected from creditors, predators, and the threat

of long-term care costs. Together, all of these concerns can add up to a complicated endeavor, *but it doesn't have to!*

The best approach is for your professionals to work together to accomplish your immediate needs and your long term goals. If you end up needing long-term care along the way, knowing the Medicaid laws becomes critical to protect your IRA, but waiting until crisis happens, subjects you to unnecessary risk of losing your IRA that would not have occurred if you addressed it now.

As an attorney who focuses 99% of my practice on Estate Planning, Elder Law and Asset Protection, I am able to dig deeply into all elements of the law. I am also fortunate to work with many CPAs and financial professionals that are exceptional at what they do and I learn a lot from them, but learning from them and trying to do what they do is a different thing, that's why we have to work together. The same is true of your other professionals, no matter how smart they are in their area, doing this planning without a qualified attorney is a grave mistake. It is important to sort through all of the tax, financial, and legal rules and be able to share the key concepts and ideas relevant to your goals.

I hope this book helps you see a better, broader picture of what happens when professionals work together to protect your IRA for your intended purposes. Looking at each of these areas in a tunnel gives you a narrow result. Looking at all of them together greatly enhances your ability to protect your IRA. In fact, in my experience, it can provide you more options than you would have had using just a single approach (i.e. tax, financial or legal). There have been many times a strategy I am

able to create with a unique financial product or tax rule may get a better result than the legal, tax rule or financial option alone could! It is to your benefit to utilize an approach to protect your IRA that considers all issues together.

## Don’t Just Focus on the Taxes

I think the ideal outcome for you is simplification and comprehensiveness. This sounds contradictory, but once you understand the big picture, you’ve actually simplified your options. At the end of the day, it really comes down to being educated, creating a professional team around you that you trust to accomplish all of your objectives, but most importantly it requires you to actually do something about it! Many times clients love to listen or read to learn, *but they don't do anything.* Reading this book is great. You'll learn a lot of information, but it's not going to change whether your IRA is protected or not. You'll have to take action and do it in the way described in this book to actually get the results you want.

The number one issue that drives people when planning with their IRAs is taxes. Don't just focus on the taxes. Everybody has to pay taxes. Focus on how much taxes and when. Sometimes people think they are saving money because they pay low taxes now, but then have to pay double or triple the amount later. Maybe you should opt to pay a little tax now and ultimately save much more of the IRA in the long run. Don’t fall into the trap of having tunnel vision. Don't look at things from just a tax perspective, from just a financial perspective, or from just a legal perspective. To protect your IRA you've got to look at it from all three perspectives

before you make any long-term decisions about your IRA. As you will discover in the stories I share, many people think they are saving money but end up losing more than they needed to. Without proper planning, you can lose your entire IRA in less than a year, so don’t think short-term.

## Avoid the 5 Common Mistakes

The first mistake commonly made with IRAs I already alluded to: People focus too much on trying to minimize income taxes now, and they don't understand how their IRA is taxed, when and to whom. They get paralyzed with the thought of paying any income tax now but end up paying significantly more income tax later, which doesn't meet their overall goals.

The second common mistake is having to pay excise taxes in addition to income taxes. What are excise taxes? Essentially, they are slaps on the hand by the government. You will be penalized by the government and have to pay extra taxes (excise taxes) if you fail to follow the government regulations I warned you about.

The third common mistake is not considering how IRAs play into the cost of long-term care. Most people can’t afford to pay for a nursing home if it’s needed and unfortunately, like taxes, they learn most of their information about how Medicaid works at the beauty shop and coffee shop. Is your IRA exempt in determining your eligibility for Medicaid or will the government take your IRA before Medicaid will pay for your nursing home? You have to be very clear on the answers to these questions, and that's why I dedicate a whole chapter on them.

The fourth most common mistake is subjecting your IRA to estate taxes. Those who have accumulated assets that would be subject to an estate tax may not know this, but they are subjecting an IRA to both income and estate taxes at death. Estate taxes are calculated on your total assets including your IRA and other qualified assets. Combined, these taxes can have an absolutely confiscatory impact on an IRA at death, which means your beneficiaries will end up with almost none of it, and the government almost all of it. To avoid this, you have to be really, really clear about how to make sure it never happens to you.

The fifth common mistake is how you leave your IRA to the people you want to get it without "unprotecting" it. Most people work their whole lives, live within their means and manage to accumulate a few dollars in the hopes they'll be able to leave whatever is left to their loved ones. Then their loved ones get it, and it might be lost to their creditors, predators or other unintended risks that most people don't think of. I'm going to talk about how to protect it for the beneficiaries as well.

Now, let's begin this short journey as I discuss each mistake in more detail so you can better understand why most people make the mistake and how you can avoid making them. I give a variety of scenarios because different people will relate to different scenarios based upon their individual goals. You'll be able to cherry pick what you like and disregard what you don't.

## Common Mistake #1: Trying to Avoid Income Taxes Now

The first mistake people make is trying to avoid income taxes now. The Internal Revenue Code, commonly referred to as the tax code, created special rules to allow for IRA's because the government was trying to institute a significant public policy to ensure people became less dependent on Social Security. To do this, the government incentivized us to save additional money for our retirement by creating tax benefits to us now to save for retirement later. The government did this by creating Section 401 and related sections of the tax code to govern how "qualified" accounts work. Qualified accounts are more commonly known as IRAs, 401Ks, 403Bs, Kehoe Plans, and the like. They take on a bunch of different names, but there's a comprehensive public policy in the United States to ensure seniors not become impoverished and limited to relying on Social Security alone, so the government provides extra incentives to us to save money during our working lives so we have money available during our retirement years.

As I discuss IRA's in this book, I mean to include all the other types of retirement plans as well, but unfortunately not all the rules are universal. The good news is that virtually all qualified plans can be rolled over to an IRA, and most of the rules I'm going to talk about apply generally to all the other types of plans as well as to an IRA. For simplicity, I'm just going to refer to IRA from here on out.

Before I explain how to properly plan for income taxes with your IRA, let me set out the general

parameters that apply to all IRA’s. First, you do not have to pay income taxes currently on the amount of money you put into an IRA, but the amount you can put in an IRA is limited based upon your age and income. In addition, once you put money into an IRA, the government does not want you to take it out until you're $59^{1/2}$ and wants to make sure you start taking it out after you reach age $70^{1/2}$. When you die, you can leave your IRA to whomever you choose, but they will have to pay income tax on it based on their income tax rates. The one exception is if you leave it to a charity, which is beyond the scope of our discussion.

Basically here is what the government public policy provides as created by the tax code. The government says, "We're going to give you an advantage to save for your retirement. For every dollar you put into retirement, we're not going to tax you on it." That's really exciting. Assume you make $40,000 a year, the government requires you to pay income tax on the $40,000, but, if you take $5,000 and put it into an IRA, you will only pay income tax on $35,000, which enables you to fund your retirement with $5000, “pre-tax”. That's a strategic advantage because if instead, you earned the $40,000 and had to pay tax on it and then chose to invest the same $5,000, you would only have $3750 to invest after tax (assuming a 25% tax rate $5,000 x 75% = $3,750). This is a great advantage to funding an IRA, but the government does limit it. You can't take your whole $40,000 of earnings and put it in an IRA.

In 2016, you can invest up to $5,500 per year in an IRA but you must fund it with “earned income” which means income earned from work you would

otherwise be taxed on. If you are over age 50, then your limit is raised to $6,500 per year. The annual limitations can be contributed to a traditional IRA or a Roth IRA, but the annual limits apply to both in total. While there are no income limitations on contributing to an IRA, there are income limitations that restrict your ability to contribute to a Roth IRA. If you are single and earn more than $117,000, your allowable contribution is reduced and fully eliminated if you earn $132,000 or more. For Married couples the amounts are $184,000 and $194,000 respectively. There are other qualified plans similar to IRAs. For example, if you are a business owner and set up a 401(k), you could contribute up $18,000 per year and $24,000 if you are over age 50.

| **Amount of Roth IRA Contributions That You Can Make for 2016** | | |
|---|---|---|
| **If your filing status is...** | **And your modified AGI is...** | **Then you can contribute...** |
| **married filing jointly** or **qualifying widow(er)** | < $184,000 | up to the limit |
| | ≥ $184,000 but < $194,000 | a reduced amount |
| | ≥ $194,000 | zero |
| **married filing separately** and you lived with your spouse at any time during the year | < $10,000 | a reduced amount |
| | ≥ $10,000 | zero |
| **single**, **head of household**, or **married filing separately** and you did not live with your spouse at any time during the year | < $117,000 | up to the limit |
| | ≥ $117,000 but < $132,000 | a reduced amount |
| | ≥ $132,000 | zero |

The non-tax status of IRAs is the good news; the bad news is that while the government allows you to fund IRA's tax free, at some point you have to pay the piper. This is a significant factor that most

people forget when attempting to minimize income taxes. Once you hit age $70^{1/2}$, you are required to begin taking required minimum distributions (RMDs) from you IRA and since most seniors want to minimize their income taxes, they end up taking only the minimum amount required. This often is a terrible mistake!

Most lawyers, financial advisors, and CPAs typically recommend taking the RMD based on a common practice to teach the three magic words, "defer, defer, defer." That means you should never pay tax today if you could defer it to tomorrow. This type of thinking has been the standard approach for a long time, but it's not always in the best interests of most seniors. Why? The first problem is it assumes the income tax rates later will be the same or less than they are now. If you ask people that simple question, most believe taxes will be higher later than they are today. Based on what Congress has done with income taxes over the years, I tend to agree, Congress rarely reduces the income tax rates. Obviously, this question is more relevant for a 70 year old who is beginning to withdraw from their IRA than a 30 year old who is in the IRA funding phase.

The second, and more important mistake people make when attempting to avoid paying taxes now, is they don't take more than the RMD out when they could have, *tax free*! I often work with seniors engaged in estate planning or asset protection planning who have hit age $70^{1/2}$ and have routinely taken their RMD, but if you look at this common practice beyond the basic premise of “minimizing” or “deferring” taxes as a planning strategy, it actually does the *opposite and causes more taxes*!

**EXAMPLE**: Let's say a married couple, Mr. & Mrs. Smith are both over age $70^{1/2}$ and Mr. Smith has an IRA worth $100,000 that requires an RMD of $3,950 a year. Let's also assume this married couple has a combined monthly Social Security benefit of $1,400 and monthly pensions totaling $600. According to the "defer, defer, defer," strategy, many legal, tax and financial professionals recommend taking the RMD and leaving the rest invested so it can continue to grow tax free and allow the senior to continue to defer paying the income taxes. ***Would you be shocked to learn, taking only the RMD cost the Smiths thousands of dollars!*** Why?

To answer requires us to look at the other relevant parts of the income tax code and I am going to apologize in advance for all the different numbers that I am going to cite. If you are patient and review my comments and amounts slowly, I promise you will come to understand how the income from your IRA affects your actual income tax and you will be amazed at the amount of money lost because many decisions regarding RMD are not fully examined in determining how the income tax code actually applies to each of us. So, let's start with some basics. The income tax code allows married couples over the age of 65 a "standard deduction" of $13,850 (2015) to apply against or to offset their taxable income. In addition, each spouse gets a personal exemption of an additional $4000 (2015), so a married couple over age 65 has total income tax deductions of $21,850 ($13,850 + $8,000).

| Filing Status | Standard Deduction |
|---|---|
| Married Individuals Filing Joint Returns | $12,600* |
| Heads of Households | $9,300 |
| Unmarried Individuals (other than Surviving Spouses and Heads of Households) | $6,300 |
| Married Individuals Filing Separate Returns | $6,300 |
| | |
| For Aged (Over 65) or the Blind | $1,250* |
| For Aged or the Blind and also unmarried and not a surviving spouse | $1,550 |

*Mr. and Mrs. Smith Standard Deduction: $13,850

In the example above, the Smiths have a total annual income of $27,950 ($16,800 of Social Security, $7,200 from their pensions and $3,950 from the RMD on their IRA). While it appears their income of $27,950 exceeds their income tax deductions of $21,850, it is critical to understand that only $11,150 of their income is actually taxable ($7,200 from their annual monthly pensions and $3,950 of RMD from their IRA). Social Security earnings *are not* subject to income tax *unless* all the non-Social Security income plus half the Social Security income exceeds $32,000. In the Smith's case, their non-Social Security income of $11,500 plus one half of their Social Security income of $8,400 totals $19,900, far less than the $32,000 limit. So what does this all mean? First, the Smiths could have earned $12,100 *more* income without subjecting their Social Security to income tax ($32,000-$19,900) and ***the Smiths could have withdrawn an additional $10,350 from their IRA TAX FREE!***

How did I come up with this amount? Simple, I just looked at the Smiths total *income tax deductions* of $21,850 and subtracted their current *taxable income* of $11,150 to arrive at the “magic” number of $10,350 which when added to their taxable income of $11,150, equals their income tax deductions and results in a $0 taxable income! Assuming the Smiths, or their beneficiaries have to pay income tax on this later and assuming they are in the 25% income tax bracket, they will have to pay $2,587.50 in taxes ($10,350 x 25%) that they would not have paid if the Smith’s took out the additional $10,350 NOW!

Repeatedly, people come into my office who earn far below the limit that would make their social security taxable and far below the amount that would subject them to income tax and they still only take the RMD. *In many circumstances, limiting IRA withdrawal to the RMD is a tremendous waste and is actually contrary to most people’s goals of minimizing income taxes*. So instead of living by the mantra of “taking the minimum” or of, “defer, defer, defer,” you should instead ask your professionals “How much can I take before I have to pay Income tax?” You can't go on autopilot when it comes to your IRA. You have to look at the big picture of your tax needs. If you want to take it a step further, a married couple over age 65 can earn an additional $18,500 above their income tax deductions and only be subject to a 10% income tax. Surely, paying a 10% tax now is minimal and likely to be far less than your beneficiaries will pay if they inherit your IRA and have to pay the income tax on it at their income tax rate!

**Unmarried Individuals (other than Surviving Spouses and Heads of Households)**

| If Taxable Income is: | The Tax is: |
|---|---|
| Not over $9,275 | 10% of the taxable income |
| Over $9,275 but not over $37,650 | $927.50 plus 15% of the excess over $9,275 |
| Over $37,650 but not over $91,150 | $5,183.75 plus 25% of the excess over $37,650 |
| Over $91.150 but not over $190,150 | $18,558.75 plus 28% of the excess over $91,150 |
| Over $190,150 but not over $413,350 | $46,278.75 plus 33% of the excess over $190,150 |
| Over $413,350 but not over $415,050 | $119,934.75 plus 35% of the excess over $413,350 |
| Over $415,050 | $120,529.75 plus 39.6% of the excess over $415,050 |

**Married Individuals Filing Joint Returns and Surviving Spouses**

| If Taxable Income is: | The Tax is: |
|---|---|
| Not over $18,550 | 10% of the taxable income |
| Over $18,550 but not over $75,300 | $1,855 plus 15% of the excess over $18,550 |
| Over $75,300 but not over $151,900 | $10,367.50 plus 25% of the excess over $75,300 |
| Over $151,900 but not over $231,450 | $29,517.50 plus 28% of the excess over $151,900 |
| Over $231,450 but not over $413,350 | $51,791.50 plus 33% of the excess over $431,350 |
| Over $413,350 but not over $466,950 | $111,818.50 plus 35% of the excess over $413,350 |
| Over $466,950 | $130,578.50 plus 39.6% of the excess over $466,950 |

The next question you must ask yourself before determining how much of your IRA you should withdraw is “Who's going to pay a higher income tax, a senior citizen with a low income, or the kids to whom you leave your money?” Many times your children are more successful than you as professionals, entrepreneurs or two earner families that are in a much higher income tax bracket. In addition, it is quite possible the federal income tax

rates years down the road when they pay on your IRA, will be higher income rates than today and unlike you, your beneficiaries can not delay the payments from the IRA until they are $70^{1/2}$. Your beneficiaries must start taking distributions from your inherited IRA *immediately* after your death which adds to their income at a time when they have likely reached their peak earnings, thereby subjecting it to even higher income tax rates and more taxes. So, before deciding if only withdrawing the RMD is the best long term strategy to minimize income taxes, you have to not only look at the income tax bracket you're in, but you have to estimate the income tax bracket your beneficiaries are going to be in when they receive it. Deferring the taxes down the road can lead to paying taxes far greater than you would have paid if you took it out now and paid the taxes at your tax rate.

One final consideration to determine if you should take more than the RMD is to consider if you take your IRA out now, at a reasonable income tax rate and invest the after tax proceeds in investments that continue to grow, none of the growth will ever be taxed again if you own it until you die. Let's say you had $10,000 in an IRA that you were able to take out and pay a 10% tax. Now you've got $9,000 left because 10% went to taxes. If you invest the $9,000 and it grows to $15,000 by the time you die, your beneficiaries will inherit the $15,000 *without the $6,000 of growth being subject to any income tax!* Conversely, if you kept the $10,000 in the IRA and it grew to $16,500, your beneficiaries would have to pay income tax on the entire $16,500. Assuming your beneficiary is in the 25% tax bracket, they would owe $4,125 in tax, netting your beneficiaries only $12,375 instead of the $15,000

they would have received if you took the $10,000 from the IRA and invested the after tax proceeds. While deferring the income tax during your working years provides a great tax advantage to building your IRA for retirement, failing to take the money out of your IRA at reasonable income tax rates after your retirement can begin to work against your goal to minimize the income taxes on your IRA.

As evidenced by taking all the income tax rules into consideration, attempting to avoid paying income taxes today on your IRA can be very short-sighted and result in paying far more in taxes than you had to.

## Common Mistake #2: Incurring Unexpected Excise Taxes

The next common mistake made when it comes to IRAs is that everybody's trying to save income taxes and they don't even know to avoid excise taxes. Often, individuals have to pay excise taxes *in addition to* income taxes because they make two major mistakes: they take money from their IRA too early or take it too late.

What does that mean? The too-early excise tax is commonly known as the early withdrawal penalty. Let's say you put money aside in an IRA during your working life, but prior to reaching $59^{1/2}$, you want to access the money put into your IRA. The government says that's a no-no because they were encouraging you to put your money away to save it for retirement, and they deem the retirement age for the purposes of IRAs to be $59^{1/2}$. You can choose to take your money out before $59^{1/2}$, but you'll have to pay the regular income tax on it plus a 10% excise tax on top of it – a 10% early withdrawal penalty. If you take your money out of an IRA before age $59^{1/2}$, you'll be subjected to early withdrawal penalties; that's a mistake a lot of people make.

There are two exceptions to the early withdrawal penalty general rule. The first is that Congress has made exceptions for those people who need to take money out to purchase a home or to pay medical expenses. The government decided it didn’t want to penalize people to access money they had for very important things. It identified buying a home and paying medical expenses as important. Now understand, money that you take out to buy your

home or pay your medical expenses is still subject to the ordinary income tax, but it will not be subject to the additional 10% excise tax.

The second exception to the early withdrawal penalty is called the 72(t) election. This is a very technical election because it's pursuant to Internal Revenue Code section 72(t). I'll simplify this as much as possible. Basically, if you're under $59^{1/2}$, and you have a hardship of some sort – or even if there isn't a hardship and you want to start withdrawing from your IRA before $59^{1/2}$ – the government will allow you to do it without paying the 10% penalty if you agree to take a systematic stream of payments, typically monthly payments. For example, if you lost your job at 50 years old and needed to supplement your income, you could go to your financial advisor and say, "I'd like to make a 72(t) election and take $400 a month out of my IRA."

If you made the 72(t) election you would be able to get the $400 a month out of your IRA, which would be subject to the ordinary income tax on your income tax return but would not be subject to the 10% excise tax as long as you meet the 72(t) election requirements. First, you must agree to take the stream of payments for the longer of 5 years or until you reach $59^{1/2}$. In this case, because the IRA owner was only 50, he or she would have to agree to make an irrevocable decision to take $400 a month out from age 50 until age $59^{1/2}$. As long as he or she did that, there would be no excise tax. If he or she violated that agreement anytime during the $9^{1/2}$ years, the government would recalculate all the excise taxes, plus some penalties from the first day.

The second example would be if you were 57 years old when you elected to take out a regular stream of payments. You would have to continue those payments for five more years – to age 62 – even though that's beyond $59^{1/2}$. The rule is the longer of five years or until you're $59^{1/2}$. If you're able to meet either of these two exceptions, you would qualify for the 72(t) election and not be subject to the additional excise tax.

So, I've clarified what the "too-early" excise tax is and how to avoid it, now I'll explain the "too-late" excise tax. We know the government doesn't want you take money out of your IRA before age $59^{1/2}$, but it wants to make sure you start taking it out by the time you reach $70^{1/2}$, if you don't, you will be subject to the late payment penalty.

The reason for this is that the government's goal is to give you the tax-preferred treatment during your working years so that you can accumulate additional assets to have in your retirement. The government makes the assumption that by $70^{1/2}$, you will be retired and should begin using your IRA money. A more cynical reason for the requirement to withdraw it is because the government wants its money. The government decided that at $70^{1/2}$ it has waited long enough, so you are required by the tax law to take out a "Required Minimum Distribution" (RMD) each year after attaining age $70^{1/2.}$ The actual amount is based upon your gender, your age, and the IRS's actuarial tables of how long you'll live. Based on all of this, the government comes up with a minimum amount you must take out each year from your IRA.

During the year you reach $70^{1/2}$, you're given a break and your first required minimum distribution

is not required to be paid out until April 15 of the year following the year in which you turn $70^{1/2}$. If you turned $70^{1/2}$ on January 1, 2016, you would not have to take your first required distribution until April 15, 2017. The rule requires you to take your first distribution by April 15 of the year following the year you turn $70^{1/2}$. You have to be careful, however, because if you turn $70^{1/2}$ in January 2016, and you wait to take your 2016 payment until April 15, 2017, you will also have to take your 2017 required minimum payment in the same tax year (2017), so you'll have a double payment in that year. That may be okay if you plan to retire between those two years because it pushes the tax into the year after when you've retired, and will have less other income.

So, what is the "too late" excise tax, often referred to as the late payment penalty? It is a lot harsher than the early withdrawal excise tax. If you don't take out your required minimum distribution within the time frame required each year after you turn $70^{1/2}$, you will be subject to a 50% excise tax. That's correct and not a typo! I guess the government is serious about wanting to make sure you take the money out so it can finally get its tax. If you had a required distribution of $3,000 that you had to take out by December 31, and you didn't take it out, the next year you will not only have to take the $3,000 out and pay your regular income tax on it, but you'll also have to pay an *additional* $1,500 in excise tax. Obviously, you want to avoid the "too late" excise tax at all cost.

Taking money from your IRA too early or taking it too late leads to unnecessary excise taxes. I see too many clients with those problems. The good

news is that new regulations require the financial services companies to notify all customers that have IRAs of this requirement and the amount that must be withdrawn and by when. The bad news is that many clients – yes, that's you reader – still don't do it because they don't read their mail, they’re afraid, or they don't want to pay taxes. Trust me, you'd rather pay income taxes than have to pay the additional 50% too-late tax.

## Common Mistake #3: Losing your IRA to Long-Term Care Costs

Is your potential need for long-term care a threat to your IRA? As we age, there's always the possibility we will not be able to care for ourselves. As an estate planning attorney, it's very important to me to ensure my clients maintain their autonomy, that is, their ability to take care of themselves. Sometimes, however there are physical limitations that occur due to failing health that require assistance from outside care providers. Obviously, that comes at a cost and your IRA can be a great way to be able to afford the care you need to be able to stay in your home. The question becomes, how much is it going to cost and are you going to be able to afford it? Most people hope that the government will pay for their care.

Seniors rely on Medicare to pay their medical bills. Medicare is health insurance for the elderly – you must be 65 or older or under 65 and disabled for two years. Unfortunately, Medicare only pays a limited benefit for long-term care. The maximum it will pay for the full cost of a nursing home is 20 days and it may pay part of the cost for another 80 days, but in both cases, only if you meet certain criteria before and after entering the nursing home. Beyond that, the consumer is on their own. The only other government program that pays for nursing home costs is Medicaid. – Medicaid, in contrast, is government health insurance for the poor.

In order for Medicaid to pay for your nursing home, you have to be deemed poor. The Medicaid laws require you to be (or become) poor. To qualify, you can only have a limited amount of income and assets. I'm not going to get into those details in this book, but I will address the big question; “Is my IRA safe from the government and nursing home costs if I want Medicaid to pay for my care?” The answer is no, your IRA is not protected and it must be used to pay for your nursing home before Medicaid will pay, and yes your IRA is exempt when applying for Medicaid and does not need to be spent before Medicaid agrees to pay your nursing home costs. Am I confusing you yet? Which is it? It depends (typical lawyer answer ☺).

Let me explain. If you want to qualify for Medicaid to pay for your nursing home cost, the first thing you have to figure out is how much assets you own. Generally, in Ohio, Medicaid allows you to own a home, a car and additional assets of $1,500. If you are married, your spouse in the community can have an additional $119,220. If you have more assets, you will not qualify unless you “spend down” your excess assets. That conversation is outside the scope of this book (if you are interested in learning more about qualifying for Medicaid, I encourage you to contact my office and I would be happy to discuss how the Medicaid rules apply to you personally). So, the key question becomes, does the state of Ohio include your IRA as an asset in determining if you are over the asset limit? Before I can answer that in a meaningful way, I need to explain how the federal Medicaid law works and how it affects the state Medicaid laws.

Medicaid law is federal law, but it's a very unique federal law. While it's a federal law there is no federal Medicaid agency. In fact, when Medicaid was created in 1965, it was specifically designed never to have any administrative costs at the federal level. In exchange, the Federal Government said to the states, "If you administer the Medicaid program, we will pay 50% of all of your Medicaid costs." In addition, if the states choose to participate and get the 50% contribution from the federal government, the states have certain general rules they must follow. The feds allow the state to be less restrictive than the federal guidelines, but in no circumstance, can the state be more restrictive than the federal rules and IRA's are an area where the federal rules are very clear; an IRA is an available resource in determining your eligibility for Medicaid. Restated, your IRA *is included* when determining how many assets you have to determine whether you meet the asset limitation.

The only exception to the federal Medicaid law is it permits an IRA to be exempt and not included in the amount of your assets if it's annuitized. For an IRA to be annuitized, it actually requires a contract with an insurance company that takes the whole value of the IRA, say $100,000 and you no longer own the $100,000, but instead, the insurance company guarantees you a stream of monthly payments for as long as you live. The good news is you have the monthly payments. The bad news is you no longer have the $100,000. That's why the Federal Government exempts it because you don't have access to the $100,000 anymore.

Ohio follows this rule so your IRA is included in the total of your assets in determining your eligibility for Medicaid.

That's why it is critical to create an IRA strategy when you are healthy so you can be prepared if a need for long-term care should arise.

Another consideration to be aware of is that even if your IRA is exempt and you qualify for Medicaid, the amount of the income you or your spouse receive from your IRA, whether in payout status or annuitized, may have to be used towards your cost of care. The amount that will have to be contributed is based upon your state's income allowance under the Medicaid rules. That is why it is important to make this issue part of your conversation with your financial, legal, and tax professionals to determine what level of risk you are willing to assume and what options you have to protect your IRA from long-term care costs.

As a Lawyers with Purpose™ member attorney, I have access to an industry exclusive IRA Analysis that helps identify what the cost would be in taxes if you liquidated your IRA versus how much of the IRA you would lose to a nursing home if used for care or if you were required to contribute part of the monthly distributions. This issue is very similar to the tax analysis we outlined above in Mistake #1. The analysis can help you make the appropriate decision as to whether you want to engage in a long-term or short-term liquidation of your IRA by paying some taxes now and then being able to protect 100% of the balance plus any growth it has. If you are in crisis and already in a nursing home or about to go in one, I also have access to an industry exclusive Medicaid qualification analysis I

can perform, that will optimize the use of your IRA and its protection from your immediate long-term care costs.

**Joseph Barnes and Betty Barnes**
**(April 13, 2015)**
**IRA Analysis**

| **Income Analysis – Annuitize IRA** | |
|---|---|
| Monthly IRA Distribution Amount | $1,003.00 |
| Monthly Contribution to Care With IRA Distributions* | $928.00 |
| Monthly IRA Distribution To Community Spouse MMMNA | $75.00 |

* Amount calculated per MedQual Worksheet.

| **Income Tax Analysis – Tax on Liquidated IRA** | |
|---|---|

**Year One Taxable Income**

| | |
|---|---|
| IRA Distribution | $75,000.00 |
| *Less* State Medical Deduction | - $39,000.00 |
| Net State Taxable Distribution | $36,000.00 |
| *Multiply by* State Marginal Tax Rate | x 4% |
| **State Tax on IRA Distribution** | **$1,440.00** |
| | |
| IRA Distribution | $75,000.00 |
| *Less* Federal Medical Deduction | - $31,800.00 |
| *Less* State Income Tax | - 1,440.00 |
| Net Federal Taxable Distribution | $41,760.00 |
| *Multiply by* Federal Marginal Tax Rate | x 20% |
| **Federal Tax on IRA Distribution** | **$8,352.00** |
| | |
| **Total Income Taxes on IRA Distribution for Year One** | **$9,792.00** |

**Year Two Taxable Income**

| | |
|---|---|
| IRA Distribution | $75,000.00 |
| *Less* State Medical Deduction | - $78,000.00 |
| Net State Taxable Distribution | $0.00 |
| *Multiply by* State Marginal Tax Rate | x 2% |
| **State Tax on IRA Distribution** | **$0.00** |
| | |
| IRA Distribution | $75,000.00 |
| *Less* Federal Medical Deduction | - $70,800.00 |
| *Less* State Income Tax | - 0.00 |
| Net Federal Taxable Distribution | $4,200.00 |
| *Multiply by* Federal Marginal Tax Rate | x 15% |
| **Federal Tax on IRA Distribution** | **$630.00** |
| | |
| **Total Income Taxes on IRA Distribution for Year Two** | **$630.00** |

**Year Three Taxable Income**

| | |
|---|---|
| IRA Distribution | $75,000.00 |
| *Less* State Medical Deduction | - $78,000.00 |
| Net State Taxable Distribution | $0.00 |
| *Multiply by* State Marginal Tax Rate | x 2% |
| **State Tax on IRA Distribution** | **$0.00** |

| | |
|---|---|
| IRA Distribution | $75,000.00 |
| *Less* Federal Medical Deduction | - $70,800.00 |
| *Less* State Income Tax | - 0.00 |
| Net Federal Taxable Distribution | $4,200.00 |
| *Multiply by* Federal Marginal Tax Rate | x 15% |
| **Federal Tax on IRA Distribution** | **$630.00** |

| | |
|---|---|
| **Total Income Taxes on IRA Distribution for Year Three** | **$630.00** |
| **TOTAL INCOME TAXES** | **$11,052.00** |

**RMD or Liquidate – The Point of No Return**

| | |
|---|---|
| Total Taxes Paid on Liquidation | $11,052.00 |
| Total Monthly Contribution if RMD Opted | $928.00 |
| **Point of No Return** | **11.91 Months** |

The Point of No Return represents the point in time when the number of months paid to the nursing home from the monthly RMD paid out will exceed the amount paid for taxes if the IRA has been liquidated.

As you can see, in this example, the point of no return is 11.91 months, which means, if this person elected to continue to withdraw the RMD to exempt the IRA, after 11.91 months in a nursing home, they would have paid more to the nursing home than they would have to the government in income taxes. The moral of the story is, it’s not always better to exempt the IRA, even if you could. That is why getting an IRA analysis is critical to see how much of your IRA would be at risk and what your point of no return would be.

Mistake #3; Losing Your IRA to Long Term Care Costs can be very costly because what might be safe today might not be safe tomorrow, but with proper planning, you can achieve your goals to protect your IRA from long term care costs. To do so, you have to make sure you consider all of the issues.

## Common Mistake #4: Paying Income *and* Estate Tax

The fourth mistake many people make is having to pay income *and* estate taxes on their IRA. As I've said from the first chapter, the government gives you a tax incentive to fund qualified accounts during your working life to make sure you have enough money in your retirement. On the contrary, they also want to make sure you use it in your retirement and force you to begin drawing on your IRA by age $70^{1/2}$. Notwithstanding, most people still do not use all their IRA prior to their death and are able to pass it on to their beneficiaries, but before their beneficiaries can receive the IRA, there may be estate taxes due. The horror of this is you will have to pay the income tax on any money taken from the IRA to pay the estate tax, which leads to your IRA being subject to two taxes after your death.

Let's have a quick review of what estate taxes are and how they relate to income taxes when applied to your IRA. Income tax is the taxes you pay every year on the income you earn from work or from the assets you have (like interest, dividends, rents, etc.). Estate tax is a different, additional tax you may have to pay at your death, if you've accumulated assets during your lifetime in excess of the government limits. In 2016, the federal limit on assets you are able to die with without being subject to estate tax is $5,450,000. If you are married, you can double that amount. The assets the government includes in determining how much you have at death include everything you own or have an interest in at your death like your house,

car, bank accounts, brokerage accounts, *IRA*, the death benefit of life insurance, annuities, real estate, automobiles, boats, etc. The government adds it all up, and if it exceeds the limits, your estate, to the extent is exceeds the limit, is subject to a 40% federal estate tax.

If you have an IRA, and are subject to an estate tax, the government will tax your IRA an estate tax of 40% and an income tax based on the income tax rate of the beneficiary. If the beneficiary is your estate, it pays the top income tax rate of 39.6% after earning just $12,150. Combined, the income and estate taxes can be more than **83.4%** if you add the additional 3.8% Medicare income tax imposed under the Affordable Care Act (Obamacare).

To make matters worse, many states, including Ohio, assess their own income tax on top of the federal income and estate taxes, which can lead to more than 75% of your IRA being paid in taxes.

As you can see from all this discussion on estate taxes, it's critically important that you look at your IRA in the context of whether it will be subject to income tax, estate tax, inheritance tax, or a combination, as this can become quite confiscatory on your IRA and diminish what is left for the people you care most about.

**EXAMPLE:** If you had a taxable estate and part of it included a $100,000 IRA, it would be subject to both federal income and estate tax and state income tax. In this case, the federal government would tax the IRA $40,000 for estate tax and $24,738 income tax. You would then have to pay the additional state income tax. In fact, in states like

Ohio, if you die owning an IRA and you are subject to federal and state taxes, **your family will receive *only 32.26%* of your IRA**.

| Assumptions | Federal | State |
|---|---|---|
| Income Tax | 39.6% | 5% |
| Estate Tax | 40% | 0% |

| | | |
|---|---|---|
| IRA Value | $ 100,000 | |
| Federal Estate Tax | $ 40,000 | |
| State Estate Tax | $ 0 | |
| **Net IRA** | **$ 60,000** | |
| State Income Tax | $ 3,000 | |
| | **$ 57,000** | |
| Federal Income Tax | **$ 24,738** | |
| **Net to Family** | **$ 32,262** | **(32.26%)** |

The only consolation is, the federal government only subjects you to estate tax if you die with more than $5,450,000 (2016) and this amount is indexed for inflation annually. If you have less than $5,450,000, you will not have to pay the estate tax, but your loved ones will still have to pay the income tax on your IRA. Being subject to income and estate taxes is something most people aren't aware of. The good news is that if you have this problem, you can afford the services of qualified tax and legal professionals to help minimize this double or triple tax.

## Common Mistake #5: Naming Your Beneficiaries as Beneficiary

The fifth common mistake people make with their IRA is the one most people don't even know to consider, but, in light of a recent U.S. Supreme Court case, you must. In June, 2014 the U.S. Supreme Court, in Clark v. Rameker, ruled while your IRA is protected from your bankruptcy and all other creditors, it is not protected from the bankruptcy of those who inherit your IRA. To put this simply, you can go bankrupt and have up to $1 million in your IRA, and the bankruptcy court cannot touch it. Similar to the favored income tax benefit of deferring your earnings into an IRA, the federal bankruptcy code also exempts your IRA to further support its public policy to ensure individuals have sufficient assets in retirement. The same is true with an IRA's protection from other creditors and predators.

The challenge in the Clark v. Rameker case, however, came over the question of whether the protections of the IRA continue after the IRA owner's death. When an IRA owner dies and leaves it to his or her beneficiaries, the IRA converts to what is commonly called a "beneficial IRA" or an "inherited IRA." The US Supreme Court ruled in Clark v. Rameker that **no**, **an inherited IRA is not afforded the same protections as a regular IRA** (one owned by the individual who funded it or their spouse). This sent the financial planning industry into a tizzy because many financial advisors always recommended making the

beneficiary of an individual's IRA direct beneficiaries, typically the IRA owner’s children.

The U.S. Supreme Court made clear that you can name any beneficiary you choose, but they will not get the same protection on the IRA that it had when you owned it. The good news is the federal tax law permits all of the protections after your death to continue if your beneficiary is your spouse, because he or she can roll it into his or her own IRA or create a new one in their name. While naming your spouse seems like good news to maintain the protections, I must warn you again about having tunnel vision. Have you forgotten our conversation in Mistake #3: Losing Your IRA to Long Term Care Costs?

While naming your spouse as beneficiary of your IRA will maintain its protection from bankruptcy and other creditors, it's still not protected from your spouse's long-term care costs. In addition, after your spouse’s death or yours, if you are widowed or single, you need to utilize these newer planning strategies to protect your IRA *for* your beneficiaries and *from* their creditors and predators. The only way you can protect your IRA for your spouse from long-term care costs and protect it for your children or other beneficiaries after your death is to name a trust as the beneficiary of your IRA.

I want to caution you that many lawyers, tax and financial professionals will give you a lot of push-back on this strategy. The typical response is, "Who told you that? Stay away from them; they're crazy. Naming a trust will trigger income tax at a much higher tax rate and require your beneficiaries to take the IRA over 5 years instead of their lifetime." If this happens to you, don’t waiver. If I

had a dollar for every time I've been told over the last 15 years that this strategy was crazy, I'd be rich. The professionals who have this response however, have a valid concern. Naming a trust as your beneficiary can have those adverse results, *if*, the trust isn't properly drafted. Unfortunately, it is common for many trusts to create this result because so few attorneys are aware of the rules under the tax law to qualify your trust as a permissible beneficiary of your IRA, so *the adverse tax consequences do not apply to it*.

If a tax or financial professional warns you of the adverse consequences feared above, it's a clear indication they are not up to date with federal tax rules that permit trusts to own an IRA and have it considered a "see through" trust, whereby, the IRS looks into the trust to identify who its beneficiaries are and then treats the trust beneficiaries as beneficiary of the IRA to determine the income tax rate and life expectancy period for the IRA to be distributed over (not 5 years). This is absolute! Just because a professional is not aware of it, doesn't mean it's not a viable planning strategy. In fact, it's the only one that assures the continued protection of your IRA after your death. Let me tell you how it works.

The federal tax law allows a trust to own an IRA, but how the IRA is taxed, and the period of time it has to be paid out over, depends on the terms of the trust. If the trust meets the four legal conditions to be considered a "see-through trust," it will not trigger the higher income tax rates or shorter distribution periods. I will not get into the four rules, that's for me to handle with your other professionals (you don't want to know how the sausage is made),

but, if you have a trust and are unsure, I can review it for you to confirm if it meets the criteria. Having a see-through trust ensures two things, the first being that the IRA can maintain its tax-deferred status, and the second being that the ownership of the IRA can be held in a trust rather than your spouse or beneficiary, who can lose it to nursing home costs, a lawsuit, divorce or other creditors or predators.

To properly plan to protect your IRA for your beneficiaries, you should never name them as the beneficiary of your IRA. You can, but they will inherit it without it being protected from their divorce, lawsuits, creditors, predators, and 100% of the IRA will be considered available in determining their eligibility to qualify for long-term care benefits. The key question to consider is, do you want to protect your IRA after your death? The challenge I have found is, most people don’t even know they had to worry about it, but, you can't plead ignorant anymore because now you know. Protecting your IRA requires a comprehensive look at your goals now and after your passing, not just your income tax concerns or your estate planning needs, long-term care needs, or excise or estate tax concerns. It requires looking at the totality of your goals now, if you become disabled and need long term care, after you die, and the risks of your beneficiaries losing your IRA to their divorce, long term care needs or their other creditors and predators.

## Putting It All Together

Now that you've learned the five common mistakes most people make with their IRA's, **are you all set**? The answer most likely is no. An IRA is just one piece of a very big puzzle called your assets, and it is part of an even bigger puzzle, ensuring your needs are met. What do you need to maintain your lifestyle, to protect and preserve your autonomy, and to ensure what you have gets to those people you love when you want, the way that you want, without unnecessary taxes, delays, costs, or risks? As a Lawyer with Purpose™, when we engage in estate planning, we take a holistic approach and ensure your other professionals are aligned to address all your goals so any decision you make to achieve one goal, doesn't have an adverse effect on another.

Proper estate planning and asset protection requires a process and education must be the fuel that drives it. In writing this book, it was my intention to begin the education process to protect your IRA, but that is only the first step. What's most important is to understand what your options are to accomplish your personal planning goals. It is my hope this short book on just protecting your IRA could show you how important it is to become aware of not only the rules, but how they apply to you and your goals. It's time to stop learning everything at the beauty shop and coffee shop.

Protecting your IRA and other assets all begins with education. I strongly encourage you to attend my free workshop: How to Protect Your "Stuff" in 3 Easy Steps. This two-hour workshop covers all of the basic information on wills, healthcare proxies,

powers of attorney, living wills, revocable trusts, irrevocable trusts, estate taxes, asset protection planning, Medicaid, veterans aid and attendance benefits, and a myriad of other topics that we have found clients overwhelmingly thank us for sharing with them. If reading this book has changed your perspective on how you look at your IRA, imagine how my two-hour workshop will change your perspective on all the other important areas critical to your protection. That's why I invite you to come to our workshop. I hold them regularly and there is **no cost to attend**!

You can register on our website at www.icanprotect.com, or call us at 216-341-3413.

As you begin to build your plan, it is critical to take the information you learn and be able to get an assessment of how what you learned, fits in with your goals. That's why after every educational workshop, **I offer a free consultation to help you apply what you learn to your personal goals** (we call it a Vision Meeting™). In your personal Vision Meeting™ we will examine your current estate planning documents (if you bring them) to assess what they do and don't do in relation to what you learned, and more importantly, in relation to your goals. In the first part of the meeting, we will give you a *written assessment* of your current plan (our Estate Plan Audit™) which will identify what, if any, of your goals your current plan accomplishes, and what goals it doesn't.

In the second part of the meeting, **we simplify everything** by providing you a *written solution* with three different options to achieve some or all of your goals (we call this our Vision Clarifier™). One of the options offered will be focused on the

minimum you need and will be economically affordable for most everyone. The second option will include everything in the first option and provide additional legal documents that begin to give you much more control over your planning and substantially eliminate the government's interference in your matters. This option is more costly than the first, but still affordable, considering the cost avoided by removing the government from the process of facilitating your plan.

Finally, we will provide a third option that will not only accomplish everything in the first two options, but will also protect your assets from long term care costs and your creditors and predators now, while you are alive. While this will be the most costly plan offered, it is a great investment for proactive individuals who want to protect assets from immediate loss to a nursing home or protect assets many multiples of the plan cost from their creditors and predators. We will also provide you a *written analysis* to outline how much of your assets we can protect and how soon, even if you or your spouse are already, or about to go into a nursing home (we call this your Asset Risk Analysis™). The best part is you get to choose which plan is best, because our goal is not to tell you what to do, but rather, to provide you several options to accomplish your goals, so *you* can pick the one *best for YOU*!

The most important thing for you to know is that as a member of Lawyers with Purpose™ I don't charge you for any of the education or for the vision meeting because I want to be able to show you specifically how we can help you and give you the options from which to choose before you decide to do anything. We love our clients, and we would

love for you to come learn about our process and see if our way of planning is a good fit for you and your family.

## Creating Your Protection Plan

Choosing a plan and building it is the most important part of the process. Once you identify the plan that meets your needs, we then begin to work with you to integrate all your personal planning goals with your personal instructions for your loved ones to manage your estate if you become disabled, benefit from it after you die and to keep the government out of it to the extent you opted. Once properly built and executed, you can be assured your legal plan has all the authority required to ensure your specific individual goals and objectives are achieved. This is a critical step in the Lawyers with Purpose™ planning process, because you are not like any other client. Your voice and instructions must be implemented into your legal documents to ensure what you want to have occur actually does! This assures the people you've chosen and the authority you have granted them is supported by the law and assures your plan has the additional authority not ordinarily included when using the standard estate planning documents most lawyers use.

Following the design and execution of your plan, the third step is to integrate it with your life. That is, to ensure the plan you made actually controls your assets. The integration step is critical to be sure your assets are actually subject to the rules you set out in your plan and the people you name actually have the authority to manage your assets and carry out your plan. Most people think this is automatic

by virtue of the planning they do with the lawyer, but in fact, in my experience, it is the step that is missed that makes most plans fail. This step requires us to work closely with your other professionals to be certain it's done properly.

After the integration of your plan with your life, you then have to determine how best to maintain it. Many plans fail even after integration, because people fail to maintain them. When you create an estate plan, it is perfect for when you created it. But as you know, things change. The law changes, your family changes, your finances change and your health can change. Any of these changes can affect whether your plan still accomplishes your goals. For example, if you create your plan relying on current laws and those laws change, then your plan may not work. In addition, if someone in your family dies, becomes disabled, gets married, has children or gets divorced, that may affect the plan you had as well. If you give someone 10% of your estate and you are worth $100,000, and your estate grows to $200,000, you may not want that beneficiary to get twice as much. Finally, if you become disabled unexpectedly, you may want to change your plan. The trick is how do you maintain your plan simply?

To ensure your plan works now and as you age, regardless of the changes, as a Lawyers with Purpose™ member, we offer our TLC™ Estate Plan Maintenance and Fee Guarantee Program which enables you to keep your planning updated as the laws change and other needs in your life change, all for a nominal annual fee. The Program costs begin at just $99/year and our top annual fee is less than what you would typically pay for two

hours of my time). Why do we do this? Because it is actually easier for all of us. Like insurance. Everybody pays a little each year, and it's there when you need it. A small fee along the way is a lot better than a big, nasty fee later because you weren't protected.

The TLC™ Maintenance program is optional, and if chosen, grants you and your financial and tax professionals access to my firm all year round to discuss and review your plan. Most plans fail because the professionals don't talk to each other. That's why we won't charge you to talk to your professionals. It ensures we all continue to work together for you without you having to pay every time we talk. You'll never get a bill from us other than the small annual maintenance fee. Same is true if there are changes to your family or in the law. Updating your plan to accommodate these changes is included in the small annual fee!

You already know IRAs are one of the most confusing assets you can own. The complex tax laws, asset-protection laws, Medicaid laws, financial rules, and probate laws are enough to give you and your professionals gray hair. That's where we come in. *We help people just like you understand how to protect your IRA and other assets by informing you on the options available so you can easily choose what's best for you and your family.*

## KEEP IT SIMPLE

Here are three ways we can help you right now:

**Option 1:** Go To: www.icanprotect.com to register for our upcoming workshop “How to Protect Your “Stuff” in 3 Easy Steps.”

**Option 2**: Visit www.icanprotect.com, and discover other helpful information related on protecting your IRA and other assets.

**Option 3**: Call us at 216-341-3413 to identify the easiest next step for you!

Most people think planning to protect your IRA is complicated. The truth is it's not once you identify your goals and work with the right professional team to help you achieve it. With a little bit of work upfront, you can save lots of work, costs and frustrations to your loved ones later.

Now you can protect your IRA and avoid the five common mistakes. If you'd like us to help, simply follow the steps above or email us at info@icanprotect.com, and we will take it from there.

Matt began his professional career as a fourth generation Funeral Director with his parents at the Golubski Deliberato Funeral Home and began to practice law in 1999. Matt's practice is focused on protecting assets that have been earned over a lifetime, as well as, counseling clients on how to plan for nursing home care and how to establish successful Medicaid planning strategies.

## Here's How to Protect Your IRA and Avoid the 5 Common Mistakes...

Here are three ways we can help you right now:

**Option 1:** Go To: **www.ICanProtect.com** to register for our upcoming workshop *How to Protect Your "Stuff" in 3 Easy Steps.*

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