United Community Bank
DEDICATED TO YOUR FINANCIAL SUCCESS
Milford • Okoboji • Hartley • Ocheyedan • Lake Park
www.unitedcommunitybank.com
Member FDIC

IRA Newsletter...*keeping you informed.*

Helping you plan for retirement.

If You Qualify, Take Advantage of a Spousal IRA

If your spouse is unemployed or only works part-time, he or she may not qualify for the maximum benefits from Social Security. Social Security benefits were never meant to fully fund retirement but to only supplement retirement income. These certainly are good reasons for one-income couples to really address ways for a secure retirement. A spousal IRA allows a spouse who has little or no earned income to qualify for an IRA contribution, as long as the working spouse earns enough income to fund the spousal IRA.

To fund a spousal IRA, you and your spouse must file a joint tax return for the year you contribute.

If you contribute to your own IRA, spousal IRAs enable a qualifying couple to double their IRA contributions to $11,000 from $5,500 in tax year 2015. If you are over age 50, you can add a "catch-up" $1,000 contribution for each of you. A one-income couple could contribute $13,000 in year 2015 ($6,500 each).

Change in IRA Rollover Regulations

IRA One-Rollover-Per-Year Rule

Beginning as early as January 1, 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own. You can, however, continue to make as many custodian-to-custodian transfers between IRAs as you want. You can also make as many rollovers from Traditional IRAs to Roth IRAs ("conversions") as you want.

Tax Consequences

- You must include in gross income any previously untaxed amounts distributed from an IRA if you made an IRA-to-IRA rollover in the preceding 12 months.
- You may be subject to the 10% early withdrawal tax on the amount you include in gross income.

Only Rollovers Will Be Affected

This change won't affect your ability to transfer funds from one IRA custodian directly to another, because this type of transfer isn't a rollover. The one-rollover-per-year rule applies only to rollovers.

IRA Fast Facts

"Catch Up" Contributions for Traditional & Roth IRAs

Workers 50 or older, before the end of the taxable year, can make up for lost time with additional IRA contributions over and above the maximum limits as follows:

Tax Years 2014 & 2015 - $1,000

Remember, IRAs are federally insured separately from your other non-IRA accounts for $250,000.

IRA contributions, including spousal IRAs, are voluntary. Making a contribution this year does not obligate you to make contributions in later years.

What Are The Regulations Governing Required Minimum Distributions (RMDs) From Traditional IRAs?

You are **required** to begin taking distributions from your Traditional IRA account once you reach age 70½. Roth IRAs are not subject to required minimum distributions.

Government regulations specify a minimum amount you must withdraw each year. Failure to do so will result in substantial penalties, 50% of the amount you should have withdrawn, but didn't.

It's important to remember that, if you have withdrawn money at any time prior to age 70½, you cannot count those withdrawals toward your required minimum upon reaching 70½. Likewise, after age 70½, if you take more than the required minimum distribution in one year, you can't reduce a future year's minimum distribution by the excess.

When Must Required Minimum Distributions (RMD) Be Taken?

If your 70th birthday falls on or before June 30th of a given year, you must take your first distribution on or before April 1st of the following year. If you are 70 on or after July 1st and you will not be 70½ until the following year, you will not have to take the first distribution until April 1st of the year after you reach 70½. All other distributions (RMD) must be taken no later than December 31st of each year thereafter.

For example: If you reach age 70 in June of 2014 (70½ in December 2014), you may take your first distribution at any time but no later than April 1st of 2015. If you reach age 70 in July of 2014 (70½ in January 2015), you may take your first distribution at any time in 2015 or wait until April 1, 2016. If at any time you choose to wait until April 1st to take your first distribution, you must also take a second distribution (RMD) that same year. This will impact your income for that year and you may pay more in taxes.

What If You Have More Than One IRA?

The IRS permits you to take your RMD from the account or accounts of your choice. If you wish, you could aggregate (add together) the amounts of all your RMDs from each institution and take the total amount from only one institution or you could take each RMD amount from each individual institution.

What About Taxes?

Contributions and earnings taken from your Traditional IRA are taxed as ordinary income. If you have made both deductible and nondeductible contributions to your IRA, you will be required to take a prorated distribution of both. Your tax advisor can help you calculate the portion on which you will be taxed.

How Do You Determine The IRA Balance Used to Calculate Your RMD?

The total value of all of your Traditional IRAs, as of December 31st of the previous year, would be the balance used for the RMD calculation. You will also have to add back in any outstanding Rollovers taken in that same year.

How Do You Determine Your Life Expectancy When Determining Your RMD?

You can, in most cases, determine the applicable life expectancy divisor by using the Uniform Lifetime Distribution Table (*shown here*).

Uniform Lifetime Distribution Table

(**Age** – Applicable life-expectancy multiple)

Age	Multiple	Age	Multiple	Age	Multiple
70	27.4	**81**	17.9	**92**	10.2
71	26.5	**82**	17.1	**93**	9.6
72	25.6	**83**	16.3	**94**	9.1
73	24.7	**84**	15.5	**95**	8.6
74	23.8	**85**	14.8	**96**	8.1
75	22.9	**86**	14.1	**97**	7.6
76	22.0	**87**	13.4	**98**	7.1
77	21.2	**88**	12.7	**99**	6.7
78	20.3	**89**	12.0	**100**	6.3
79	19.5	**90**	11.4		
80	18.7	**91**	10.8		

To find the applicable life expectancy divisor for the year, you will need to find the age you will be this year on the table. You then divide your prior December 31st total balance for all IRAs by this divisor.

An exception to applying the Uniform Lifetime Table would be if your spouse is more than 10 years younger than yourself and is named the sole beneficiary for the entire year. This would be when you would calculate the distribution each year using the "Joint Life Expectancy Table." You would get a longer distribution period and not have to remove as much from your IRA.

IRA Features & Benefits

Traditional IRA

- If you qualify, your contribution may be tax-deductible and could save you in taxes. You should consult a tax advisor.
- Earnings are tax-deferred.
- You are not taxed until you withdraw funds (distributions prior to age 59½ may be subject to a 10% penalty).
- Must be under age 70½ and have earned income to make a contribution.

Roth IRA

- Although contributions are not tax-deductible, earnings are tax and penalty-free if you have had a Roth for 5 years and meet one of the following conditions:
  - **a)** Attainment of age 59½ or older
  - **b)** Disability
  - **c)** Death
  - **d)** First-time home buyer (you may take a distribution up to $10,000)
- There is **no age limit** for contributions as long as you have earned income.
- Your **contributions only** may be withdrawn at any time tax and penalty-free.

Make Use Of Tax-Advantaged Retirement Accounts and Matching Funds

Look into all your retirement savings options at work, which may come with matching contributions from your employer. Chances are your retirement savings will hardly reduce your take-home pay because of what you'll save in income taxes, and the sooner you start in your career, the more you can take advantage of compound growth.

If you've contributed the maximum at work or if your employer doesn't have a retirement savings program, consider establishing your own IRA (Individual Retirement Account) and then make regular transfers into it. Remember that you can set up an automatic transfer from a checking account into savings for retirement.

Save Now, Live Comfortably Later

"Buy now, pay later" is the mantra in our credit happy culture. How about changing it to – *"Don't Buy Now, Save For Later!"*

Everyone loves a little of the luxuries in life and indeed, that is not going to change when you are retired.

Statistics show that even people with decent incomes are not saving enough for retirement.

How about taking some time to calculate how much you actually spend in a month on some of these niceties – dining out, lattes, an extra new item of clothing, the "latest" of anything. You may be surprised at what you are spending. True, your spending on these items keeps the economy going, BUT, what about your own future economy? Chances are something could be eliminated and the money saved could be shuttled into your IRA. If you have not set up an IRA, we will be happy to help you establish one.

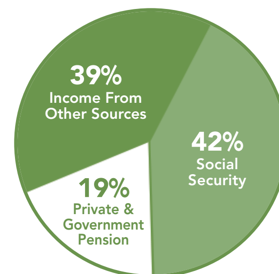
Remember, the more unnecessary purchases you make now, the more you will "pay" for those purchases after retirement, in terms of a diminished standard of living.

Income Sources

Do you realize that you could be responsible for nearly 60% or more of your retirement income? This chart clearly shows which piece of the "pie" you need to increase to provide a truly comfortable retirement.

Fund your IRAs with maximum contributions today to increase your retirement income tomorrow!

Source of Retirement Income For The Average Individual Over 65*



*Association of Retirement Planners

Questions You Need To Answer To Satisfy Your Retirement Planning Conscience

1) Do you have a will? ❑ Yes ❑ No

2) If so, is it current? ❑ Yes ❑ No
(You may need to update your will if your marital status has changed, if you have moved to another state, if the size of your estate has increased or decreased significantly, if children or grandchildren have been welcomed into your family, or if the person named as your executor may be unable to serve.)

3) Have you executed an enduring power of attorney to provide for management of your affairs if you are incapacitated? ❑ Yes ❑ No

4) Have you made a list of personal property items and who is to receive each? ❑ Yes ❑ No

5) Have you compiled information about assets, bank or credit union accounts, deeds, insurance policies, financial advisors, etc., and told the person(s) responsible for administering your estate where the information is located? ❑ Yes ❑ No

6) Have you provided for guardianship of any minor children or disabled adult children? ❑ Yes ❑ No

7) Have you reviewed beneficiary designations of life insurance policies and retirement accounts to make sure they reflect your current wishes? ❑ Yes ❑ No

8) Have you executed a living will, setting forth your wishes about medical treatment? ❑ Yes ❑ No

9) Have you estimated taxes and other expenses that might be due at the end of your life, taken steps to minimize taxes, and arranged for your estate to have sufficient liquidity? ❑ Yes ❑ No

10) Have you developed a retirement plan in consultation with a financial advisor to ensure the quality of life you want when you quit working? ❑ Yes ❑ No

Strategy For Drawing Down Assets

Ready to start spending from your retirement assets?

Managing the drawdown process correctly can add years to the longevity of retirees' savings.

Everyone's tax situation is unique, but if you're under age 70½, generally spend down assets in the following order:

1. **TAXABLE**
2. **TAX-DEFERRED** (from Traditional IRAs or 401(k) and other employer plans)
3. **TAX-FREE** (from Roth IRAs)

TAXABLE ACCOUNTS

When selling your investments, you should almost always take from your taxable accounts first because they represent investments that are not sheltered from taxes. These accounts often make taxable distributions and generate net capital gains, whether you need the income or not.

TAX-DEFERRED ACCOUNTS

Your next source of earnings should be tax-deferred retirement accounts created with pretax contributions, such as Traditional IRAs or employer-sponsored 401(k) plans. Since growth of these assets is tax-deferred and withdrawals may be fully taxable at current income tax rates, it is often better to let these investments accumulate as long as possible.

Age will determine your decision about which of these tax-deferred accounts to draw from first. With a 401(k) and Traditional IRA, you will incur a 10% early withdrawal penalty if you take a distribution before age 59½ (exceptions apply). However, you may withdraw pretax contributions and earnings from a 401(k) plan without this penalty, if you are over age 55 and separated from your employer.

You have to start taking required minimum distributions (RMDs) from Traditional IRAs and qualified employer plans by April 1st of the year following the year in which you reach age 70½ (with some exceptions).

TAX-FREE ACCOUNTS

Retirement assets created with after-tax contributions, such as Roth IRAs, should most often be taken last. Withdrawals from a Roth IRA are tax-free if the withdrawal is taken from an account that has been held at least five years and the owner is over age 59½.

Keep in mind that a Roth IRA is not subject to RMDs.

YOUR WITHDRAWAL STRATEGY

Being aware of the tax consequences of drawing down assets from your accounts can potentially provide you with greater income in retirement. Therefore, developing a tax-efficient withdrawal strategy ahead of time may help bring you closer to achieving the lifestyle you desire.

Please consult your tax advisor for the best approach for your tax situation.

AT-A-GLANCE

Traditional & Roth IRA Contribution Limits - For Tax Years 2014 & 2015

INDIVIDUAL	**Annual Contribution Limit**	**Annual Catch-Up Contribution Age 50 or Older**	**Maximum Annual Contribution Limit Age 50 or Older (including Catch-Up)**
	$ 5,500	$ 1,000	$ 6,500
MARRIED/SPOUSAL	**Annual Contribution Limit**	**Annual Catch-Up Contribution Both Age 50 or Older**	**Maximum Annual Contribution Limit Both Age 50 or Older (including Catch-Up)**
	$ 11,000	$ 2,000	$ 13,000

Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth) is $5,500 ($6,500 if age 50 or older).

IMPORTANT NOTE: The information contained in this newsletter is not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, tax or financial advisor with regard to your personal situation.

IRA F 2014
©PIXEL PERFECT