
THE ADVISOR

Retirement Wealth
advisors
A Registered Investment Advisor

JANUARY 2011 - A MONTHLY NEWSLETTER

Hello:

2010 was a good year. Please pay close attention to the Treasurers report this year, in the 3 years we have been open the ut res adi voluptatur recte poriati o quia doloriaeped quam, simusapienem faccus. Ipsae. Itaque voluptat aliae consero duci cuptam, voloritatur. Hiliquod ipsaest alis ium quatus, consedis re, corumque por sit mol et vero moluptat. e hope you enjoy this newsletter and find the information helpful.



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Bush Tax Cuts

IF THE BUSH TAX CUTS EXPIRE, BE PREPARED TO GIVE THE GOVERNMENT MORE

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The Bush tax cuts, which were enacted in 2001 and 2003, reduced income taxes for all taxpayers. They also reduced taxes on dividends and capital gains. Additionally, taxes on estates were lowered. The new law also increased retirement savings limits and tax credits for education. The 2001 tax act created six lower marginal tax rates; 10%, 15%, 25%, 28%, 33% and 35%. Along with the relief these tax reductions provided came a 'sunset clause.' Lawmakers included a sunset date to ensure that the new tax acts would fall within federal budget limits.

Marginal Tax Rates to Increase

A repeal of the 2001 act, known as EGTRRA would abolish the 10% rate, moving those taxpayers into the 15% bracket. The remain-

ing four rates change to 28%, 31%, 36% and 39.6%. The child tax credit would drop from \$1000 to \$500. Fewer families would even qualify for the child tax credit beginning in 2011. The tax rate on capital gains would increase from 15% to 20% and the rate for dividends would be taxed at the same rate as a taxpayer's ordinary income.

The second Act that was passed by Congress, and became part of the Bush tax cuts, was the Jobs and Growth Tax Relief and Reconciliation Act of 2003. Under the 2003 Act, the tax cuts in the 2001 Act were accelerated and a temporary reduction in the tax rate on capital gains and dividends also was included in the final bill. The AMT exemption amount was also increased.

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Rolling Over 401k Plan Distributions

Know your Plan Provisions

The many considerations of owning a 401k plan usually revolve around asset allocation, diversification, rebalancing and the benefits of dollar cost averaging. But at some point, a participant in a 401k plan may decide to move their funds.

There are many reasons for moving money between retirement programs. Some people are motivated to do so after leaving a job. Others make the decision as a result of retirement. Some want the convenience of a single statement by consolidating assets. Whatever the reason, the process of moving a 401k doesn't have to be a daunting task.

Phasing Out Traditional Pension Plans

The 401k plan is a relatively new incarnation with its roots in a congressional provision from 1978. Congress was looking at ways to give Americans incentive to defer income that year. A couple of years later, a benefits consultant named Ted Benna capitalized on a provision in the tax code

to conceptualize the modern 401k plan. In 1981, the IRS made it official. Employees could now defer part of their salary and employers would be released from some of the burden of traditional pension plans.

Moving Retirement Money

As 401k plans became more widespread, and participants accumulated more savings, the popularity of moving funds grew also. With passage of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001, Congress relaxed the rollover rules and expanded portability. The specific rollover rules for each plan are at the plan level and determined by provisions in the employers' plan, so the plan documents still dictate if a particular rollover can or can't be accomplished.

Allowable Rollovers

As of late 2010, and unless a particular plan has restrictions on these types of rollovers, here are some acceptable rollovers based on the 2001 tax act.*

- A Safe Harbor 401k plan can rollover to another Safe Harbor 401k or to a 403b, SEP or 457b
- A SIMPLE 401k plan can rollover to a

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- A Governmental 457 can rollover to a Safe Harbor 401k, 403b, 457b, SEP or IRA
- A SEP can rollover to a Safe Harbor 401k, 403b, 457b or another SEP
- An IRA can rollover to a Safe Harbor 401k, 403b, 457b, SEP or another IRA

A Few Things to Remember

In order to be prepared for a 401k rollover, a participant should contact the plan sponsor (employer) for the correct distribution paperwork. The plan's administrator will send a tax disclosure form explaining the many considerations of direct and indirect rollovers. Married participants will need to get their spouse's signature. Special attention should be paid to any stock owned in the plan. There are several additional considerations when a 401k includes stock. Those considerations should be addressed well ahead of a rollover.

*Please verify these rollover rules with your CPA or financial advisor as tax laws change regularly. The allowable rollovers under any particular plan may vary. Consult with your plan administrator to learn the specific requirements of your plan before initiating a rollover.



Outlook:

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Customization Scenerios

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