

Roth IRAs, Charitable Remainder Trusts May Help High Income IRA Investors

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According to current tax laws, if you own a traditional Individual Retirement Account (IRA), you must begin withdrawing money from your IRA when you turn 70½. Because traditional IRA distributions are subject to income taxes, most people don't withdraw more than they need to cover their living expenses. However, people who don't need IRA distributions to fund living expenses are forced to pay taxes on income they don't need. Converting a traditional IRA to a Roth IRA may help.

Unlike traditional IRAs, Roth IRAs require no distributions, earnings grow tax-free, and withdrawals are also tax-free. Even though income taxes are paid on the amount of funds converted from a traditional IRA to a Roth IRA, over the life of the investor and his or her heirs, the outcome is better because no taxes are owed on balances as the Roth IRA investments grow.

To qualify for a Roth conversion, your adjusted gross income must be less than \$100,000. If your adjusted gross income exceeds this amount, a charitable remainder trust might provide some relief. A charitable remainder trust is a special tax-exempt irrevocable trust arrangement written to comply with federal tax laws and regulations. You transfer cash or assets—particularly appreciated assets—to the trust and may receive income for life or, if you choose, a certain period of time, not to exceed 20 years. The income can be paid over your life, your spouse's life, and even your children's and grandchildren's lives.

Transfers to a charitable remainder trust will generate an income tax deduction for you, the donor, in the year of the contribution. The deduction is based upon the estimated present value of the remainder interest that will ultimately go to the charity. The calculation and the amount of deduction allowed is based upon several factors, including the type of charitable remainder trust you select.

Because a charitable remainder trust can be structured to postpone income into the next tax year, it can help reduce the current year's income below \$100,000, thus allowing a conversion from a traditional to a Roth IRA. Also, a charitable remainder trust provides a charitable income tax deduction that helps offset the increase in income taxes due in the year of the conversion.

Many people can help you convert your traditional IRA to a Roth IRA, but the most successful plans are crafted by professional financial planners who have the credentials and understanding to know how the different areas of financial planning affect one another so they can help determine what is right for you. Charitable remainder trusts, IRA conversions and any other financial planning techniques should always be discussed with your tax and legal advisors before implementation.

Scott White helps families develop and implement successful estate and financial plans. Recognized as one of the top financial planners in the U.S. by the Consumers' Research Council of America, Scott is a Certified Financial Planner™, a Chartered

Financial Consultant, a Chartered Life Underwriter, and holds a master's degree in business administration. He is past president of the Southwest Florida Chapter of the American Society of Financial Service Professionals, past president of the Lee County Estate Planning Council, founding president of the Planned Giving Council of Lee County and a member of the Financial Planning Association Southwest Florida Chapter. Scott served on the National Committee on Planned Giving's Leave a Legacy committee. He specializes in meeting the comprehensive financial and estate needs of high net worth families. For more information, visit <http://www.scottwhiteadvisors.com/>. Scott White Advisors is located at 1510 Royal Palm Square Boulevard, Fort Myers, Florida 33919; telephone (239) 936-6300. Securities offered through Raymond James Financial Services, Inc., member, NASD/SIPC.