



Citation and Resource Guide

Sidney Kess, CPA, JD, Editor

Renting Versus Buying a Home

- The IRS addresses the “Should I itemize” question in Topic 501, at www.irs.gov/taxtopics/tc501.html.

Tax-Free Roth IRA Conversions

- IRS Notice 2014-54, Guidance on Allocation of After-Tax Amounts to Rollovers, can be found at www.irs.gov/pub/irs-drop/n-14-54.pdf.

Final Regulations Bolster Longevity Annuities

- The final regulations on QLACs can be found in Internal Revenue Bulletin: 2014-30 at www.irs.gov/irb/2014-30_IRB/ar07.html.

As Collectibles Boom, Selling Can Be Taxing

- The IRS explains the tax rules concerning IRA investments in collectibles in Publication 590, “Individual Retirement Arrangements (IRAs),” p. 52, at www.irs.gov/pub/irs-prior/p590--2013.pdf.

S Corporation or LLC?

- The IRS spells out the rules on limited liability companies at www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Limited-Liability-Company-LLC.

Be Wary of Accumulated Assets

- To see the IRS examination process for excess accumulated earnings, go to www.irs.gov/irm/part4/irm_04-010-013.html.

Practice Development Tip

Prepare Clients for an Early Retirement

A recent study by insurer MassMutual found that 45% of people who had retired in the last 15 years had retired earlier than planned. Workplace changes were the most common reason for relinquishing paychecks sooner than expected.

Moreover, a gradual transition into retirement isn't likely. Of those relatively recent retirees, over 70% stopped working altogether, once they left their job.

Another key finding: 43% of the retirees in this survey said that financial planning helped a great deal in helping them achieve their retirement goals.

Therefore, it's likely that many clients now in their 50s and early 60s will retire sooner than they anticipate, with little or no subsequent earned income. You can help such clients enormously by offering to meet and discuss likely retirement income and expenses.

On the income side, Social Security probably will be a key component. Thus, you can explain the financial consequences of various starting dates, and what timing strategies married couples might pursue.

If clients won't have a pension from a former employer, as increasingly is the case, other income will have to come from their savings. You can explain various drawdown strategies to give clients a realistic idea of the cash flow they can expect, pretax and aftertax.



Client Tax Letter

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On the expense side, you might offer to go over their current spending to see where clients might be able to cut back, if necessary, in order to be able to enjoy a desirable lifestyle in retirement.

Housing also will become a major issue. Will downsizing be practical? Relocation desirable? For clients who wish to stay where they are, will a reverse mortgage make sense as a source of cash flow?

Initiating such conversations will help to position your firm as a key advisor leading up to and during retirement. You may be able to retain clients, even those who retire in sunnier locations, and maintain relationships as retired clients draw down their investment portfolios over a period of years.

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