CPA Client Tax Letter

Tax Saving and Planning Strategies *from your* Trusted Business Advisor[sm]

April/May/June 2016

Citation and Resource Guide

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Cons and Pros of Roth IRAs

- The IRS spells out the contribution rules for Roth IRAs in 2015 at **www.irs.gov/Retirement-Plans/Amount-of-Roth-IRA-Contributions-That-You-Can-Make-For-2015.**

Facing College Costs

- The College Board's latest report on college costs is at **http://trends.collegeboard.org/sites/default/files/2014-trends-college-pricing-final-web.pdf.**

Deducting Taxes Paid

- The IRS explains the rules for deductible taxes at **www.irs.gov/taxtopics/tc503.html.**

QTIP Trusts Still Offer Advantages

- TThe IRS provides a definition of qualified terminable interest property at **www.gpo.gov/fdsys/pkg/CFR-2012-title26-vol14/pdf/CFR-2012-title26-vol14-sec20-2056b-7.pdf.**

Succession Planning for a Family Business

- The AICPA offers a client presentation on Family Business Succession Planning at **www.aicpa.org/InterestAreas/PersonalFinancialPlanning/Resources/PracticeCenter/ForefieldAdvisor/DownloadableDocuments/FFFamilyBusinessSuccessionPlanningPresentation.pdf.**

Practice Development Tip

Talk About Taxes for Tapping Home Equity

As you approach the end of tax season, you might be facing a slowdown after April 18. One way to maintain your business is to set up future meetings for the time after most tax preparation has ended. Finding the right meeting topics to suggest can be crucial.

One possibility is to offer a discussion on using home equity in retirement, including the tax aspects. A recent study by JPMorgan concluded that many Baby Boomers (generally people now in their 50s and 60s) will not have enough spending money in retirement if they rely solely on their savings and Social Security checks. The answer may be to tap their home equity.

Retired clients might be interested in this topic if they find themselves concerned about running out of cash, as they grow older. Clients still planning for retirement may be reluctant to stop working, if their savings are low, so you can provide them with ideas about using home equity to bridge the gap they anticipate.

One way to tap home equity is to use a reverse mortgage. You can give clients an idea of how much they can expect to receive—the Internet has several reverse mortgage calculators to provide examples. You can explain to clients that reverse mortgage proceeds are tax-free.

Clients who qualify might prefer to use a home equity line of credit instead. They'll have to pay interest, but such interest payments probably will be tax-deductible on loans up to $100,000.

Yet another option for retirees is to sell their homes and use the proceeds to rent housing or to buy a less expensive place.

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When explaining this approach, you might point out that home sellers owe no tax on gains up to $250,000 ($500,000 for married couples filing joint tax returns), provided certain requirements are met.

Raising this subject can make clients aware of a possible need to tap equity in retirement. Moreover, going over the tax aspects can give clients a better idea of just how much spending money from home they can expect.

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