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CELEBRATING 55 YEARS

How to help maximize your IRA beyond age 70.5

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IRA investors have done a relatively good job accumulating funds for retirement. In addition, there is a lot of financial education around helping individuals save for retirement. However, once you reach the retirement stage, how should you manage your retirement accounts to help make the funds last as long as possible for you, your spouse, your children and even your grandchildren? We do a lot of work in this area. Here are some strategies to help maximize your IRA:

1) In general, delay taking distributions from your IRA as long as possible. This would be age 70 1/2 for a traditional IRA. Roth IRA's do not require minimum distributions (RMD's) for your lifetime and your spouse's lifetime.

2) Realize that, on average, we are living longer and you should consider having a portion of your IRA designed as a long term investment even if you are in retirement.

3) Consider investing a portion on the stock side with an emphasis on dividend paying and dividend growing investments. The portion to stocks should be based on your overall risk tolerance. In our practice, most retired clients have in the range of 40% to 60% on the stock side for long term growth potential.

4) Consider investing a portion on the bond and money market side for income. If the stock portion has declined, and this may occur in about 1 out of 4 years, then income distributions may come from the money market account. This way you can help avoid selling the stock side at depressed prices for income. Most of our clients will have in the range of 40% to 60% to safe investments for income and overall portfolio stability.

5) Consider rebalancing through Required Minimum Distributions (RMDs) - when RMDs are needed for income, it may be beneficial to rebalance by selling the appreciated assets for income; this can restore the account to the original allocation.

6) Consider re- directing the dividends and interest to the money market account instead of reinvesting. This way the funds are available when RMD's are required.

7) Consider funding a long term care policy. With funding in place you may not be forced to liquidate your IRA to pay long term care expenses.

8) Address estate planning - the beneficiary forms should be reviewed, state estate taxes minimized and your beneficiaries should be aware of their options to maintain your IRA for their lifetime...and even to their children.

The above strategies may help you grow the value of your IRA during retirement, provide IRA income for you, help provide protection for your spouse with an income and potentially stretch out your IRA to your family. IRA's can last for generations with good financial planning.

We have been using these strategies with our clients for many years. It is nice to see a client's IRA account, after 10 or 15 years in retirement, still providing them with an income stream even after all those years of income payments.

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An individual retirement account (IRA) allows individuals to direct pretax income, up to specific annual limits; toward investments that can grow tax-deferred (no capital gains or dividend income is taxed). Individual taxpayers are allowed to contribute 100% of compensation up to a specified maximum dollar amount to their Traditional IRA. Contributions to the Traditional IRA may be tax-deductible depending on the taxpayer's income, tax-filing status and other factors. Taxes must be paid upon withdrawal of any deducted contributions plus earnings and on the earnings from your non-deducted contributions. Prior to age 59 Â½ distributions may be taken for certain reasons without incurring a 10% penalty on earnings. None of the information in this document should be considered tax or legal advice. Please consult with your legal or tax advisor for more information concerning your individual situation.

Contributions to a Roth IRA are not tax deductible and there is no mandatory distribution age. All earnings and principal are tax free if rules and regulations are followed. Roth IRAs are available only to single-filers making up to $95,000 or married couples making a combined maximum of $150,000 annually. Principal contributions can be withdrawn any time without penalty (subject to some minimal conditions).

Asset allocation does not guarantee a profit or protect against loss.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

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