

Monthly Connection:

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2015 IRA & 401(K) Basics

- The 2015 contribution limit for 401(k) plans is \$18,000; the catch-up contribution limit is \$6,000 for those 50 years old and above.
- The 2015 contribution limit for a traditional IRA is \$5,500 with a catch-up provision of an additional \$1,000 for those 50 years old and above.
- If you withdraw money from your 401(k) or IRA before your are 59 1/2, you will incur a 10% early withdrawal penalty tax on top of the ordinary income taxes and fees associated with the amount withdrawn. *(There are a few exceptions.)*
- Required Minimum Distributions (RMDs) generally have to begin at the age of 70 1/2.

— MZH —

Can You Make a Tax-Free Charitable Donation from an IRA?

by Eric Nager, CRPS®

Some donors like to make charitable donations directly from a retirement account. Congress helped them last year by passing a last-minute law late in 2014 to extend tax-free distributions for charitable purposes from individual retirement accounts. This provision, which had expired at the end of 2013, was renewed so late in the year that many were not aware or did not have time to take advantage of it.

In this type of giving, the distribution has to be set up such that it goes directly from the custodian (TD Ameritrade) to the charity. For those who are charitably giving anyway, this approach may help you save money on taxes if the tax break is extended for 2015. If not, the charitable donation still can be deducted on your taxes.

The law permits tax-free distributions to charity of up to \$100,000 per taxpayer, per taxable year, from an IRA held by an individual who is 70.5 years of age or older. This can then count as the Required Minimum Distribution (RMD) from that type of account for the year. The most important benefit of making a contribution like this is that the amount taken from the IRA will not count as taxable income.

Donations from an inherited IRA are also eligible for this provision as long as the beneficiary is at least age 70.5. Donations from an active SEP or SIMPLE IRA are not eligible, nor are donations from qualified retirement plans.

For married couples filing a joint return, they can exclude up to \$100,000 from each spouse's IRA for a total of \$200,000. Additional information can be found on the IRS website and the provision is under IRC section 408(d)(8). As

always, we recommend that you consult with your tax professional before undertaking such a step.

While this tax provision might seem fairly narrow in scope, it can be of tremendous benefit to charitable organizations. Following the so-called "Great Recession" since 2008, charitable organizations have scrambled to make



ends meet. The extension of this provision last year helped some charities meet their fundraising goals.

If you think this type of strategy may benefit you, please give us a call and we can help set it up.

Required Minimum Distributions

Many of our clients are required to take RMDs. We track these throughout the year and personally call clients during the fourth quarter who have not taken theirs in a given calendar year to make sure it has been taken.

On the TD Ameritrade website under the tab called "Retirement Account Information," it shows what your RMD is for the year based on the balance in your account from December 31, 2014.

For those with beneficiary IRAs, it is not calculated on the website; we can get it calculated for you with a phone call to us.

Preparing for the Family Summer Vacation

by Eric Nager, CRPS®

School lets out this month in much of the country and thoughts turn to summer vacation plans. I have fond memories as a child of piling into the back seat of the family station wagon with my brother, mom, and dad as we set out on the next adventure. One year we took a trip to Disney World in Orlando. Another year it was to Six Flags in Atlanta. Sometimes we stayed locally and just went to the beach in nearby Gulf Shores.



Now, as a parent myself, I get behind the wheel of our minivan and go places with the family. Yes, the kids argue in the back seat just as I did at their age. Preparation and packing are a lot of work, but I have a lot of help from my wife. It's all worth it, though, because we've built memories that last a lifetime.

With gasoline prices projected to remain lower than they have been for several summers, the vacation by car might have extra appeal this year. One government report projected that the average nationwide price will stay below \$3.00 per gallon for 2015. Like anything with a financial impact, preparing for such a trip takes careful planning. Here are a few general tips to think about before you head out on the open highway.

1. Make sure your vehicle is ready and in good repair. Reliable transportation never appears more important than when you have to get repairs on the road at the mercy of an unfamiliar mechanic. Take your car in for regular maintenance and inspection before the trip, and be sure the tires are properly inflated for optimal gas mileage.
2. Do reconnaissance. It is always a good idea to map out the route before actually getting on the road. Some of you might remember the "old days" of the American Automobile Association (AAA) trip ticket. Now you can go to www.mapquest.com, google maps, rely on a smart phone application, or use a GPS device (not to mention the many apps available on your smartphone). Scouting ahead can help you avoid traffic bottlenecks due to road construction as well as toll roads. Identifying alternate routes in case of unforeseen events helps the trip go smoothly.
3. Have a budget. Trips can be expensive: there is the cost of hotels, gas, admission to any attractions you visit, and of course food. It is fun to eat good meals at new places, but all of those costs need to be taken into consideration. Not to be forgotten is a shopping budget for souvenirs and gifts.

To amplify the final point, let's briefly look at projected hotel revenue and occupancy, and historical admission prices at one of the nation's most popular destinations. According to PricewaterhouseCoopers (PwC), projected hotel occupancy rates for 2015 are expected to be the highest since 1984 (www.pwc.com) with revenue per available room (RevPAR) projected to increase by 7.4% over last year. The conclusion is that it is best to make your reservations in advance!

Meanwhile, the price of admission to Disney World has increased almost every year since the park opened in 1971. Back then, the price of a single day admission to the Magic Kingdom was \$3.50. That had increased tenfold by 1993 to \$35.00. As of last year, the price had increased to \$99, (www.mynews13.com) outpacing inflation.

Trip planning can be considered a form of investment management. You work hard for your money and should enjoy it. At the same time, wise planning allows the dollars you spend to go farther as well as for you to be able to enjoy more trips in the future. Where have you gone or are planning to go? We would like to hear your travel stories and plans, and perhaps compile a list of desired destinations. What is the most popular travel destination for SCS clients?

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