



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Disaster-Proof Your IRA

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"My formula for success? Rise early, work late and strike oil."

– J. Paul Getty (1892-1976)

Happy New Year!

Congratulations...you've made it to 2002. Your heirs will be thrilled. They can now inherit up to \$1 million of your hard-earned cash estate tax free. You can also make additional tax-free gifts. If you have used your estate exemption by gifting \$675,000, you can now make additional tax-free gifts of \$325,000. If you have the assets to give, this makes sense because it removes the assets *plus* any future appreciation on those assets from your estate.

For 2002, the top estate tax rate is reduced to 50%. Uncle Sam only gets half of everything you own, so now it truly is a partnership!

The annual gift tax exclusion has also increased from \$10,000 to \$11,000 beginning in 2002. This may not seem like a big deal, but it took 20 years for this to happen. On January 1, 1982, The Economic Recovery Tax Act of 1981 (ERTA '81) increased this limit from \$3,000 to \$10,000 where it remained until now. You can make annual tax-free gifts of \$11,000 to as many people as you wish. Married

couples can now make annual joint gifts of \$22,000 to each recipient.

Many of the new tax law provisions we have been writing about here are now effective. The increased IRA and company plan contribution limits and the catch-up provisions are now available. More money can be saved for your retirement. Our feature article *"Using the New IRA Contribution Limits"* covers many of the IRA basics and shows you how to work with the increased contribution limits.

The increased IRA and company plan contribution limits and the catch-up provisions are now available.

This month's guest IRA expert is attorney Bruce D. Steiner, with Kleinberg, Kaplan, Wolff & Cohen in New York City and Hackensack, New Jersey. Bruce has written extensively on estate planning with retirement accounts. His article *"Using IRA Assets to Fund the Credit Shelter*

Trust" shows you how to take advantage of the increasing estate tax exemption.

It appears likely that by the time you read this, the IRS will have issued **Final Regulations** on the IRA distribution rules... Many clarifications and changes are on the way... Stay tuned.

For more IRA information, visit our website at www.ira-help.com.

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– Ed Slott, CPA

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IRA Charts:

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Guest IRA Expert:

Bruce D. Steiner, Esq.
Kleinberg, Kaplan,
Wolff & Cohen

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Keep your IRA library up to date ... see page 8.

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