



Ways Congress May Further Harm Retirement Savers In The Future

For many beneficiaries of IRAs from individuals who die after January 1st, 2020, the government has harmed you. IRAs had a feature that applied to all beneficiaries, which allowed mandated annual withdrawals using the beneficiary's age (usually lower), nicknamed the "stretch" IRA for the ability to stretch out withdrawals. This allowed the assets to grow tax-free for longer periods. For deaths that occur in 2020 and going forward, the ability to "stretch" an IRA will be limited to spouses, beneficiaries who are within 10 years of the age of the original owner and disabled heirs. Children who prospered the most under the previous rule and others will have to payout the inherited IRA within 10 years. The 10 year clock doesn't start for minor children until they reach the age of majority (18 or 21 depending upon the state of residence). So where else may the government change tax laws to disadvantage IRA holders in the future?

Making Roth IRA distributions partially taxable once the accounts grow beyond a certain dollar amount has been previously discussed by some members of Congress. In effect, some politicians want to penalize you for saving responsibly and investing too wisely. Another variant of this concept would be limiting the overall size a Roth IRA can reach before prohibiting additional contributions, which has been introduced in each Congress for the past decade.

Requiring mandatory minimum distributions starting at age 72 from Roth IRAs would be another way for the government to harm the saver. Currently, Roth IRA holders are not required to take any distributions allowing the funds to grow tax-free and enabling a well planned estate to transfer assets to the next generation or to a charitable trust. The ability to defer distributions also allows the retiree to avoid having the distribution added to calculations used to figure out Medicare premiums, for example.

Ending "backdoor" IRAs is another way Congress could modify retirement benefits. This is more curtail than harm because backdoor IRAs exist because of a loophole in the tax code. High earning families are prohibited from contributing to Roth's; however, a loophole allows an individual to make a non-deductible IRA contribution that can be converted into a Roth IRA tax-free if the individual has no other traditional IRAs. If ever enacted, this would limit the ability of high earners to maximize tax-free savings.

A final way the government could curtail IRA benefits, since this would apply only to future contributions, is to lower the income threshold for a traditional IRA contribution to be deductible on income taxes. For 2020, the IRA deduction is fully phased out at \$124,000 for a married couple. Some have proposed a fully



VALICENTI ADVISORY SERVICES, INC.

400 East Water Street
Elmira, NY 14901
607-734-2665
Fax: 607-734-6845

447 East Water Street
Elmira, NY 14901
607-733-9022
Fax: 607-734-6157

24 West Market Street
Corning, NY 14830
607-936-1203
Fax: 607-936-0213

www.valicenti.com

Asset management
as individual as you

An on-line publication by
The Investment Committee

phased out limit at approximately \$79,000. This would limit the upper middle class' ability to enjoy one of the key benefits of traditional IRAs, which is being able to deduct the amount from adjusted gross income on Tax Day.

Converting a traditional IRA to a Roth can be a very tricky situation with many facets to be considered, if you believe the government will change the rules to its advantage someday. IRAs are great savings vehicles, but don't trust that all of the benefits will be there decades from now.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Valicenti Advisory Services, Inc. ["VASI"]), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from VASI. Please remember to contact VASI, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. VASI is neither a law Firm, nor a certified public accounting Firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the VASI's current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request. Please advise us if you have not been receiving account statements (at least quarterly) from the account custodian. Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your VASI account holdings correspond directly to any comparative indices or categories. Please Also Note: (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your VASI accounts; and, (3) a description of each comparative benchmark/index is available upon request. Please Note: Limitations: Neither rankings and/or recognitions by unaffiliated rating services, publications, media, or other organizations, nor the achievement of any designation, certification, or license should be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if VASI is engaged, or continues to be engaged, to provide investment advisory services. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser. Rankings are generally limited to participating advisers (see link as to participation data/criteria, to the extent applicable). Unless expressly indicated to the contrary, VASI did not pay a fee to be included on any such ranking. No ranking or recognition should be construed as a current or past endorsement of VASI by any of its clients. ANY QUESTIONS: VASI's Chief Compliance Officer remains available to address any questions regarding rankings and/or recognitions, including the criteria used for any reflected ranking.