



DANGER ZONE FOR YOUR IRA



“Collecting more taxes than absolutely necessary is legalized robbery.”

Calvin Coolidge

As a husband and father, Peter Penguin was unrivaled in his devotion. When it came to nesting, though, he had made a foolish blunder. The family home was only a short trek from the ocean's buffet of fish and squid. Waddling there and back safely was another matter.

Between the nest and the ocean was a parking lot patrolled by a gang of penguin thugs. Intruders would be attacked and robbed without mercy. For Peter Penguin, a gentle soul in a sleek tuxedo, the daily trip across the lot was a task filled with peril.

What does this fable have to do with you?

Many of you are in a situation a lot like that of Peter Penguin. You are devoted to your family. You've provided a comfortable nest and crafted an estate plan to insure they will be secure after you're gone. Tucked into your estate plan is your individual retirement account, or traditional IRA, which you've carefully funded.

You'd like to make sure your family gets that IRA, intact, when you're gone.

Unfortunately, there's a ruthless gang waiting to pounce on your IRA. Those toughs are your state, local and federal tax authorities. Ready for a brawl, they are going to rough up, or even confiscate, your IRA. Your loved ones will see feathers fly, lots of them.

The leader of the pack is the federal estate tax, currently 40%. The feds get the first strike at your unsuspecting IRA. Second is a bloodthirsty ruffian called the state estate tax; Illinois' is up to 16%.

By the time your IRA staggers to the other end of the parking lot, it will be little more than some

feathers and a beak. Still, more bullies await. Your loved ones, heirs to your IRA, will encounter a gauntlet of tax goons just as ravenous as the original gang. Your heirs have to pay a federal income tax of up to 40% or more on the entire IRA. State and local tax authorities may try to take a nip, too.

Under current tax law, those parking-lot toughs can't lay a hand on an IRA left to your spouse. Your children or grandchildren have no such protection.

So that leaves open the question of what to do with an IRA, especially one that is lavishly funded. One option is to enjoy it yourself, knowing that your investment portfolio may have other better treats for your heirs. Or consider leaving it to your private foundation or other charity. Almost anything is better than the savagery delivered by the gang in the parking lot.



*Penguins at Boulders Beach,
Simon's Town, South Africa*