ClearView Wealth Management

Investing with Clarity and Vision

Clarion Newsletter March 2015

Industry Update Seminar

On March 17th, we held our "Industry Update" event at Daniel's Broiler in Bellevue for accredited investors. Ron King, Chairman/CEO of our Broker/Dealer, Centaurus Financial, gave the keynote address regarding the role of the Broker/Dealer in the investment process. We also had nine sponsors participate and each gave a brief talk on their views on the industry. Before and after the event, our guests had an opportunity to visit with each of our sponsors and ask questions about their current offerings and get updates on their existing investments. We had a delicious meal and plenty of good conversation.

We will be holding a similar event on June 10th. Our keynote speaker will be Marcia Fujimoto of the law firm of Miller Nash Graham & Dunn, LP. Marcia is a partner with MNGD and has been practicing estate planning law for over 30 years. She will be speaking about Estate Planning for high net worth families and individuals.

If you are an accredited investor* and would like to join us for this event, please watch for the invitation which will go out at the end of May or contact us now to register. You are encouraged to bring prequalified friends and family members to this educational event.

** Accredited investors are those with a net worth of $1 million or more (not including the value of their primary residence) or an annual income of at least $200,000 for individuals or $300,000 for married couples.*

Upcoming Seminars

Wednesday, June 10

Portfolio Review

Call us today to make an in-person or phone appointment to review your portfolio.

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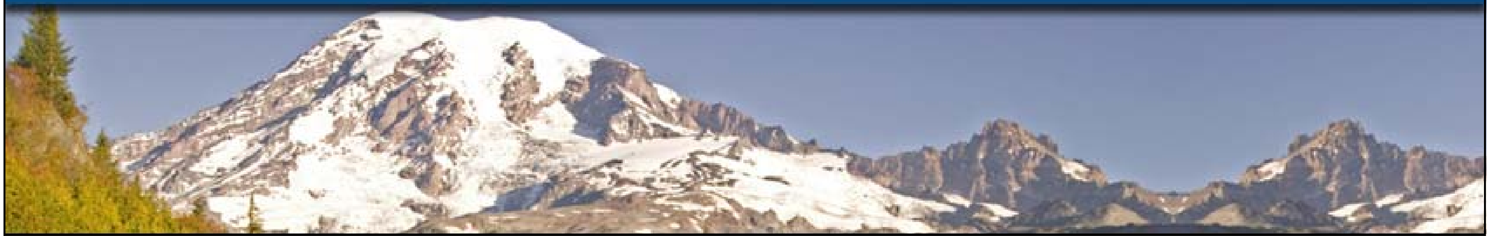

A Roth IRA's Many Benefits

Why do so many people choose them over traditional IRAs?

The IRA that changed the whole retirement savings perspective. Since the Roth IRA was introduced, it has become a fixture in many retirement planning strategies.

The key argument for going Roth can be summed up in a sentence: Paying taxes on your retirement contributions today is better than paying taxes on your retirement savings tomorrow.

Here is a closer look at the trade-off you make when you open and contribute to a Roth IRA – a trade-off many savers are happy to make.

You contribute after-tax dollars. You have already paid federal income tax on the dollars going into the account. But in exchange for paying taxes on your retirement savings contributions today, you could potentially realize great benefits tomorrow.[1]

You position the money for tax-deferred growth. Roth IRA earnings aren't taxed as they grow and compound. If, say, your account grows 6% a year, that growth will be even greater when you factor in compounding. The earlier in life that you open a Roth IRA, the greater compounding potential you have.[1]

You can arrange tax-free retirement income. Roth IRA earnings can be withdrawn tax-free as long as you are age 59½ or older and have owned the IRA for at least 5 years. (That 5-year clock starts on January 1 of the tax year in which you make your initial Roth IRA contribution.)[2]

The IRS calls such tax-free withdrawals *qualified distributions*. They may be made to you, to your estate after you are deceased, and/or to a beneficiary. (If you die before the Roth IRA meets the 5-year rule, your IRA beneficiary will see the IRA earnings taxed until it is met.)[3]

If you withdraw money from a Roth IRA before you reach age 59½, it is called a *nonqualified distribution.* If you do this, you can still withdraw an amount equivalent to your total IRA contributions to that point tax-free and penalty-free. If you withdraw more than that amount, though, the rest of the withdrawal may be fully taxable and subject to a 10% IRS

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penalty as well.[1]

Withdrawals don't affect taxation of Social Security benefits. If your total taxable income exceeds a certain threshold – $25,000 for single filers, $32,000 for joint filers – then your Social Security benefits may be taxed. An RMD from a traditional IRA represents taxable income, and may push retirees over the threshold – but a qualified distribution from a Roth IRA isn't taxable income, and doesn't count toward it.[4]

You can direct Roth IRA assets into many different kinds of investments. Invest them as aggressively or as conservatively as you wish – but remember to practice diversification. The range of investment choices is often broader than that offered in a typical workplace retirement plan.[1]

Inheriting a Roth IRA means you don't pay taxes on distributions. While you will need to take distributions within 5 years of the original owner's passing, you won't pay taxes on the distributions you take from the Inherited Roth IRA.[5]

You have 16 months to make a Roth IRA contribution for a given tax year. For example, IRA contributions for the tax year that has passed may be made up until April 15 of the succeeding year. While April 15 is the annual deadline, many IRA owners who make lump sum contributions for a given tax year make them as soon as that year begins, not in the following year. Making your Roth IRA contributions earlier gives the funds in the account more time to grow and compound with tax deferral.[1]

How much can you contribute to a Roth IRA annually? The 2015 contribution limit is $5,500, with an additional $1,000 "catch-up" contribution allowed for those 50 and older. (The annual contribution limit is adjusted periodically for inflation.)[6]

You can keep making annual Roth IRA contributions all your life. You can't make annual contributions to a traditional IRA once you reach age 70½.[6]

Does a Roth IRA have any drawbacks? Actually, yes. One, you will generally be hit with a 10% penalty by the IRS if you withdraw Roth IRA funds before age 59½ or you haven't owned the IRA for at least five years. (This is in addition to the regular income tax you will pay on

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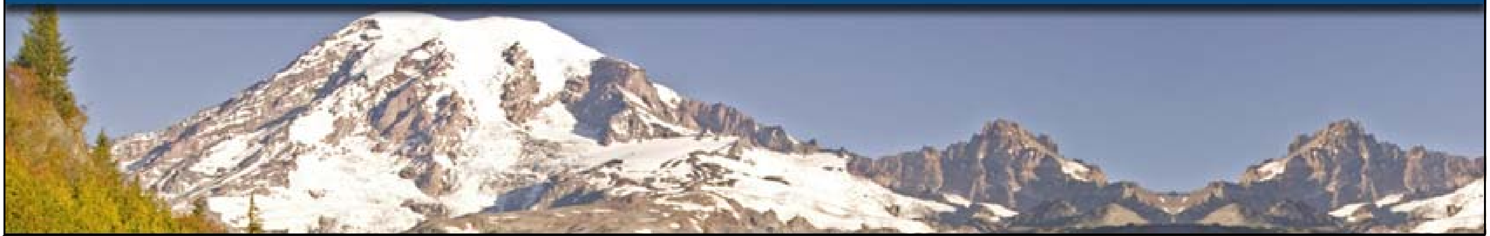

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funds withdrawn prior to age 59 1/2, of course.) Two, you can't deduct Roth IRA contributions on your 1040 form as you can do with contributions to a traditional IRA or the typical workplace retirement plan. Three, you might not be able to contribute to a Roth IRA as a consequence of your filing status and income; if you earn a great deal of money, you may be able to make only a partial contribution or none at all.[1,3,6]

Rollovers are permitted. Since 2010, any individual, regardless of marital status and income level, can roll eligible IRA assets into a Roth IRA. Previously, rollovers were dependent upon the account holder's income. If you are required to take an RMD from your traditional IRA the year you make the rollover, you must take it before converting it to Roth.[3]

All this may have you thinking about opening up a Roth IRA or creating one from existing IRA assets. A chat with the financial professional you know and trust will help you evaluate whether a Roth IRA is right for you given your particular tax situation and retirement horizon.

Citations.

1 – kiplinger.com/article/retirement/T046-C006-S001-why-you-need-a-roth-ira.html [1/15]
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3 – hrblock.com/free-tax-tips-calculators/tax-help-articles/Retirement-Plans/Early-Withdrawal-Penalties-Traditional-and-Roth-IRAs.html?action=ga&aid=27104&out=vm [2/25/15]
4 – fool.com/retirement/general/2014/08/24/social-security-will-a-roth-ira-make-your-benefits.aspx [8/24/14]
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Thought for the Day

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