

Golden Bullets

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QUESTIONS AND ANSWERS: THINGS TO CONSIDER

My clients are full of questions related to taxes and law-related topics. They often ask me questions (among others) about

- IRAs,
- the Tax Cut and Jobs Act,
- Social Security benefits and
- life insurance and annuities.

Here are a couple of questions posed by clients that I wanted to share with you.

Question: I turned 70 ½ in 2018 but have waited until February 2019 to take my first required minimum distribution (RMD) from my IRA. I received no Form 1099-R. How can I get the IRA custodian to show the distribution is taxable in 2018?

Answer: You can't. The custodian will correctly report the distribution as taxable for 2019, even though the distribution is for the RMD obligation in 2018.

A special rule allows the account owner to delay her first RMD for an IRA until April 1 of the calendar year following the year in which she turns 70 ½. The taxpayer could have taken the RMD anytime in 2018 or as late as the April 1, 2019 deadline.

While a distribution taken at any time during that window satisfies the 2018 RMD obligation, the RMD will be taxed in the calendar year it is actually taken. If this client waits until March 2019 to take her first RMD, she'll have to take a second taxable RMD in 2019—prior to the December 31 deadline.

Question: I am collecting Social Security survivor benefits based on my deceased spouse's work record. Will I lose those benefits if I get remarried?

Answer: It depends.

If a person remarries before the age of 60, she cannot receive survivor benefits as a surviving spouse while married. If, however, remarriage occurs after age 60, survivor's benefits on the deceased spouse's Social Security record can continue.

If a person remarries after 60 and stays married long enough to become eligible for spousal benefits, she may be eligible for three types of benefits: one based on the deceased spouse's record, another based on the new spouse's record, and the third based on her own record. While she may be eligible for three different types of benefits, the Social Security Administration will generally pay ONLY whichever benefit is highest.

Some people, in limited circumstances, may be able to file a restricted application to collect a certain type of benefit now and then switch to a higher benefit later.

Do you have questions about Social Security benefits or taxes? Are you wondering when you must start taking money out of an IRA? Are you still trying to figure out how the Tax Cut and Jobs Act applies to your situation? Let's get together to talk.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.

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