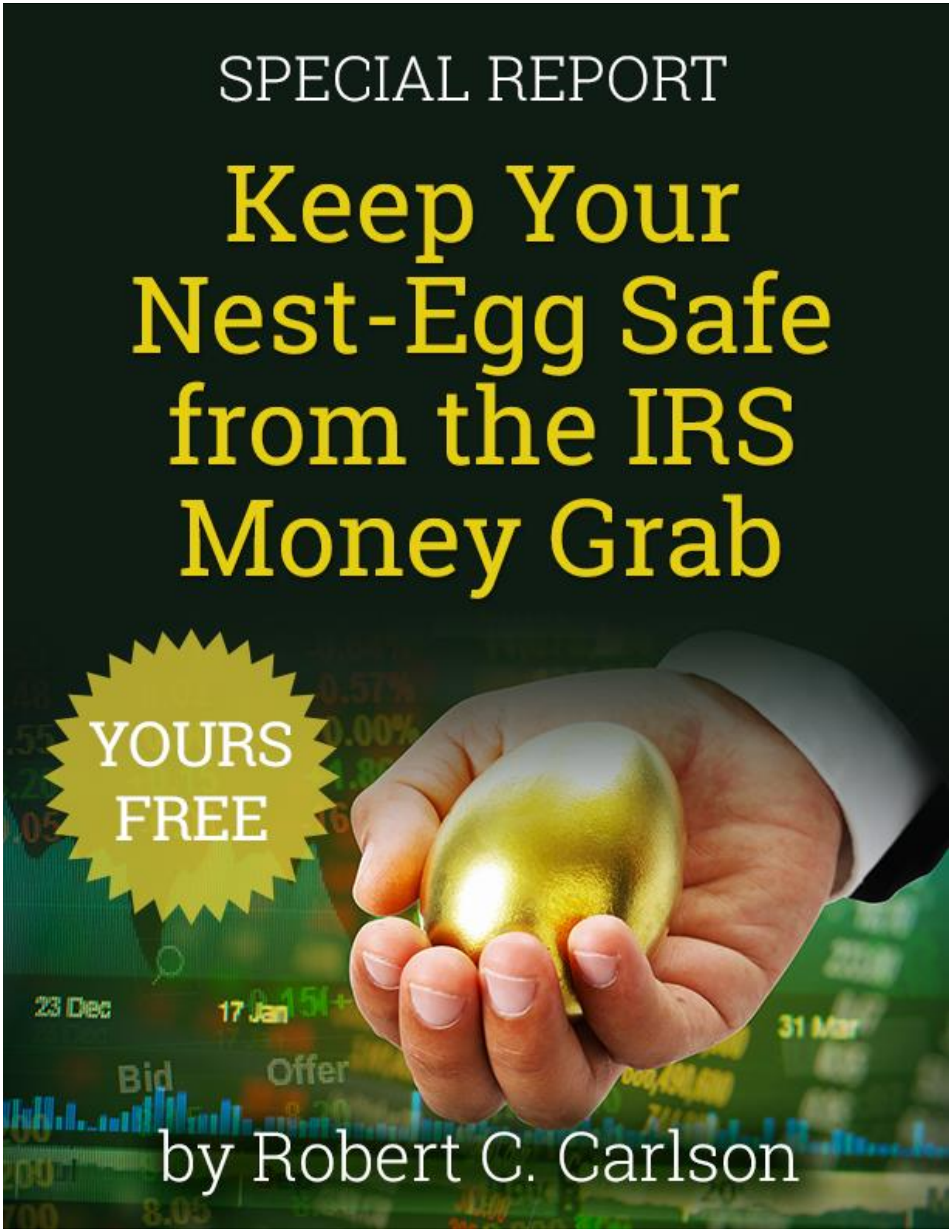
SPECIAL REPORT
Keep Your Nest-Egg Safe from the IRS Money Grab
YOURS FREE
by Robert C. Carlson

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Eagle Financial Publications
122 C St. NW Suite #515
Washington, DC 20001
1-800-552-1152

Email: CustomerService@RetirementWatch.com
Website: www.RetirementWatch.com

Keeping Your Nest Egg Safe from the IRS Money Grab

Bob Carlson, Editor – Retirement Watch

Introduction

What happens if you outlive your money? It's the number one question on the minds of Americans in or near retirement. And it's the most important one at that.

Once you stop working, the only money you can depend on is the money you have worked hard to save in your IRA, 401 (k) and other retirement accounts. But economic forces outside your control are lining up to attack your nest egg.

For example, Social Security benefits alone won't come close to providing you with a cushy retirement. Today, the maximum monthly payout is a little over $2,600 at full retirement age… no matter how much money the government took from your paycheck during your working years.

With the government and employers bailing on retirees, your savings and investments will bear most of the burden of seeing you through your retirement years.

But it's not just the greedy hands of the government you need to watch out for. The ongoing scourge of rising inflation will continue to eat away at your nest egg.

One of the fastest rising costs for retirees is medical costs. According to the Employee Benefit Research Institute, healthcare costs on average will be more than $300,000 in retirement for a couple aged 65 today.

Meanwhile, we've already seen prices for everything from gas to oil to food to clothing soar in the past decade. Imagine what the basics will cost 10, 20, 30 years from now when you are established in retirement and living on a "fixed" income?

Perhaps like many, you trust your investments will see you through and provide you with much needed "inflation protection." Yet the stock market has taken us on a pretty wild ride in recent years. It's been nearly impossible to count on steady profits.

But if you were to try and sidestep this market volatility by moving your money into "safe" interest bearing accounts, at today's yields, you wouldn't even be able to tread water (especially after considering inflation).

So you have to plan on making your retirement savings last longer, as more people are living longer, healthier lives thanks to new medical insights and breakthroughs.

So if you're one of those lucky folks, you'll need to stretch your portfolio even further - another 20, 30 years or more.

That means the money you earn on your investments has to work harder than your father's ever had to. But it also means keeping as much of it for yourself & out of IRS's hands as possible.

That's why I wrote "Keeping Your Nest Egg Safe from the IRS Money Grab." This report is jam-packed with new strategies and big secrets that turn conventional tax-saving thinking on its ear.

I've packed 25+ years' worth of unbiased retirement answers, solutions, strategies and tactics into this report.

So get settled into a comfortable chair and prepare yourself for some eye-opening reading!

Secret #1 -- What to do if you roll over your IRA after the 60-day filing period expires?

Mistakes often happen with rollovers. For example, a plan trustee might transfer an IRA to a taxable account instead of to another IRA. Or the trustee might issue a check to the owner instead of transferring the account to another trustee.
In the past, the account owner had no remedy. If the rollover was not executed properly, it was treated as a taxable distribution. The reason for the improper rollover didn't matter. The owner was stuck with the tax bill and perhaps a 10% early distribution penalty.

The IRS has the discretion to grant waivers to the 60-day rule, allowing additional time for the owner to deposit the funds in a qualified retirement account. Even better, in 2016 the IRS issued new rules that make it easier to claim a waiver.

The IRS uses an honor system, or self-certification process. Under this process, a taxpayer who inadvertently didn't meet the 60-day deadline because of mitigating circumstances can file a letter with the retirement plan administrator or trustee claiming a waiver from the 60-day deadline. The IRS indicated that it and the plan officials ordinarily will accept this self-certification.

The plan officials will report the rollover as meeting the 60-day deadline but also will report to the IRS that the self-certification was made. However, the IRS can always audit the taxpayer and review the rollover.

In Revenue Procedure 2016-47, the IRS provides 11 conditions that qualify as mitigating circumstances under which a taxpayer can self-certify the waiver.

The circumstances include a distribution check that was misplaced and never cashed, the taxpayer's home being severely damaged, a family member's death, the taxpayer or a family member being seriously ill, the taxpayer being incarcerated, or restrictions imposed by a foreign country.

The revenue procedure also provides a sample certification letter a taxpayer can send to the plan officials. This revenue procedure can be located on the IRS website at www.irs.gov.

Keep in mind that because of a court ruling in 2014, a taxpayer is allowed only one tax-free 60-day rollover within a 12-month period. That limit is per taxpayer, not per IRA or retirement plan.

It is best to have rollovers made by the plan administrators or trustees. An unlimited number of these rollovers can be made, and there is no 60-day deadline.

You still have to monitor the transactions to be sure the plan officials don't make a mistake, such as depositing your rollover in a taxable account. But it's less risky than trying a 60-day rollover.

Secret #2 -- Why reaching age 70½ changes everything and could force you to deplete your IRA too fast.

IRA owners over age 70½ are required to begin taking required minimum distributions (RMDs). That rule is longstanding. But the IRS learned that many people either don't take their RMDs or don't compute them properly, so it is cracking down on them.

Be sure you take your RMDs and compute them properly. Generally, you take your aggregate IRA balances as of Dec. 31 of the previous year and divide it by your life expectancy. You must use the life expectancy from one of the tables provided by the IRS in the back of its free publication 590-B. The publication is available on the IRS website at www.irs.gov. We also posted the life expectancy tables on the members' section of our website at www.RetirementWatch.com.

Secret #3 -- Thinking of naming your estate as your IRA beneficiary?

Think again! I always advise people not to either name their estates as the IRA beneficiary or fail to name a beneficiary. Doing so can require the IRA to be distributed quickly, causing your beneficiaries to lose the tax deferral.

If the estate is beneficiary or there is no named beneficiary and you had not reached age 70½ and were not taking required minimum distributions, the IRA must be distributed within five years after your passing. The heirs are not allowed to stretch the distributions over the life expectancies.

If you had already begun RMDs, the distributions can continue on your established distribution schedule, but not based on the beneficiary's life expectancy.

In the latter case, some custodians make the problem worse. They will not make distributions to the individual beneficiaries. They will insist on paying the estate and let the estate distribute the money to beneficiaries. This requires the estate to remain open until the IRA is empty.

These custodians do not understand that the IRA legally can be assigned by the estate to the beneficiaries named in the will or other documents. There is no reason to require the estate to be kept open for the stretch-out period.

The lesson is to be sure to designate one or more individuals as primary beneficiary of the IRA and also to name contingent beneficiaries in case the primary beneficiary is not able to inherit the IRA. Otherwise, your loved ones will lose the valuable tax deferral of the IRA.

Secret #4 -- The one simple question to ask your IRA custodian that could save your grieving spouse a world of anxiety and hassle.

Some custodians will not work with the executor of an estate. The IRA passes by the terms of the IRA beneficiary designation form, not by the will, and the IRA avoids the probate process.

The executor really doesn't enter into the picture, in their view. But the executor needs verification of the IRA's value to file the estate tax return. In addition, you might want the executor to relieve the burden of your spouse and other survivors by processing the paperwork. Ask your custodian if it will communicate with and provide information to the executor.

Secret #5 -- Pay your IRA taxes now instead of later.

Some of you could substantially lower your tax bill in retirement by doing so. In fact, you could avoid paying tens of thousands of dollars in needless taxes!

Here's what you must consider in order to carry out this strategy.

One of the most powerful tax-saving retirement weapons that should be in every retiree's arsenal is the Roth IRA. Their unique benefits are tremendous! No age limit on contributions. No required minimum distribution at age 70½. And the best reason ever to open a Roth IRA: not one dime you withdraw from it in retirement is ever taxed. No matter how much your money has grown over the years!

Many of my readers cannot open contributory Roth IRAs, because their incomes are too high. Currently Roth IRAs are unavailable to higher income tax payers. This means anyone with adjusted gross income of $160,000 or more ($110,000 for singles) is not allowed to make a contribution. (The limits are adjusted for inflation annually.)

But since 2010, taxpayers of any income level have been allowed to convert a traditional IRA to a Roth IRA. They are now able to take advantage of the significant tax savings Roth IRAs offer.

Taking advantage of this is easy. Simply build up your traditional IRA and other tax-deferred accounts as much as possible. Then, convert your regular IRA to a Roth IRA (and consider doing the same with your 401(k) as well if you can roll it over to an IRA). You will pay taxes on the conversion, but it could be considerably less than the taxes you'd be forced to shell out in the future.

Many people aren't excited about paying taxes before they have to. But, unless your income tax rate is going to be lower in the future than it is now, it can make a lot of sense to pay taxes now and shelter all the future gains and income from taxes. I've explained the rationale for this in some detail in my books and in articles in *Retirement Watch* that are available in the Archive in the members' section of the web site.

Secret #6 -- Over 70½? How to keep your IRA pumping out cash for years -- in spite of having to take required minimum distributions?

IRA owners over age 70½ need to take required minimum distributions from their traditional IRAs (as well as other qualified retirement plans). The first RMD must be taken by April 1 of the year after the owner turns age 70½.

Subsequent RMDs must be taken by Dec. 31 of each year, including the year that the first RMD was required by April 1. The owner can always take distributions exceeding the RMD. Instructions for computing the RMDs are in IRS Publication 590-B, Individual Retirement Arrangements-Distributions, available on the IRS website at www.irs.gov.

It might be best to take the first RMD in the calendar year before it is required. Instead of waiting until the April 1 deadline, take by the previous Dec. 31. That avoids having two RMDs on one year's tax return.

After that, it is best to take an RMD late in the year. That allows the tax-deferred compounding to work as long as possible.

The exception is a year when the portfolio declines. If you can anticipate that all or part of the portfolio will decline during the year, take the RMD early in the year, converting the investments into cash.

An RMD does not need to be taken in a lump sum. Periodic distributions can be taken during the year as long as the total by Dec. 31 equals or exceeds the RMD.

Secret #7 -- Want to convert multiple IRAs into one Roth IRA?

No problem. Follow these four easy steps to convert one or more IRAs or just part of an IRA into a Roth IRA.

First, select the IRAs or the amount of each IRA you want to convert into a Roth IRA.

Second, if you want to transfer specific assets, determine if they can be transferred to any Roth custodian, only a specific Roth custodian or not at all. Otherwise, be sure there is enough cash in the traditional IRAs to be transferred to the Roth IRA.

Third, contact an IRA custodian and open a Roth IRA.

Fourth, tell the Roth IRA custodian which assets or amount to convert from the traditional IRAs. The Roth custodian will take care of the rest of the transfer.

Secret #8 -- How to take required minimum distributions from an IRA without liquidating a single share of stock or mutual funds you currently own?

RMDs do not have to be taken in cash. Most IRA custodians allow you to set up a taxable account. Then, you can have specific shares or assets transferred from the IRA to the taxable account to satisfy the RMD. You will still owe taxes on the distribution as though it had been made in cash. The distribution amount will be the market value of the assets on the day they were transferred. But you won't have to liquidate an investment you like or incur expenses to buy and sell an investment just to make the RMD.

Secret #9 -- Common withdrawal mistake that makes your Roth IRA vulnerable to a massive IRS tax grab.

Distributions from a Roth IRA are tax-free, but not all distributions. They must be qualified distributions. To be qualified, first at least five years must have passed since a contribution was first made to a Roth IRA.

The contribution need not be to the same Roth IRA from which the distribution is taken; the taxpayer must have made a contribution to any Roth IRA at least five years before a distribution is taken from any Roth IRA.

The five-year waiting period is a bit different for converted Roth IRAs. Then, there is a separate waiting period for each conversion.

Second, the distribution must be taken after any of one of the following: the Roth IRA owner is older than age 59½, passed, away, or became disabled. Or the distribution must be no more than $10,000 and is used for a qualified first-home purchase.

Secret #10 -- Have a 401(k)? When it makes sense to convert it to a Roth 401(k) -- and when it doesn't.

A retirement plan account, such as a 401(k), can now be converted directly to a Roth IRA. But the 401(k) has to allow this option, and many don’t. Check with your employer or 401(k) administrator to see if it’s allowed. If it’s not, you might still have an option. You might roll over the 401(k) to a traditional IRA, and then convert the IRA to a Roth IRA.

Before executing this strategy, determine if a rollover from the 401(k) will be viable. Generally, 401(k) amounts can be rolled over to an IRA only if the employee leaves the employer due to retirement, a new job, or disability.

Some 401(k)s allow distributions or rollovers by any employee over age 59½. Check your plan's rules and the tax law before deciding to ramp up contributions with an eye toward a conversion to a Roth IRA.

Secret #11 -- One little-known rule for getting back every dime of taxes you pay on your IRA conversion.

A conversion is best when the taxpayer has cash from other sources that can be used to pay the income taxes, so that the entire IRA can remain intact and maximize the income and gains that will compound.

In addition, the IRA should be left alone for 10 years or longer so that the compounding can make up for the taxes paid on the conversion, assuming an 8% rate of return.

A higher return means a lower payback period, and a lower return means a longer payback period. If money has to be distributed from the IRA to pay taxes on the conversion, then the Roth IRA should be left undisturbed for a longer period for the conversion to reach the break-even point.

Secret #12 -- The order in which you draw down the different retirement savings accounts affect the amount of after-tax wealth in retirement.

Most people have more than one type of retirement account. There is usually at least one tax-deferred account, such as an IRA, plus a taxable account. The standard advice is to draw down the taxable accounts and leave money in a tax-deferred account as long as possible to let the tax-deferred compounding work.

My research shows that in many cases that traditional advice is correct. The retiree's wealth will last longer if the tax-deferred compounding is allowed to work for as long as possible. My conclusions are supported by other research.

The results, however, depend on the assumptions made. For some people, retirement savings will last longer if the tax-deferred accounts are tapped first.

I have identified two scenarios in which spending your IRA first makes sense.

My research shows that if the annual return in your taxable account is *at least four percentage points higher* than the return in your tax-deferred account (i.e. IRA), you should drain your tax-deferred accounts first. Why? Because the higher return in your taxable account makes up for the lack of tax deferral. This money is likely earning more for you than the money in your tax-deferred account.

It might be taxed at the lower tax rate for long-term capital gains when it is time to spend the money.

The other scenario in which tax-deferred accounts should be drawn down first is when it makes sense to empty one's IRA early. Consider this strategy if your IRA is more than you'll spend during your lifetime. See details in my book, “The New Rules of Retirement” (Wiley). Details also are in the Archive on the members section of the web site at **www.RetirementWatch.com**.

Secrets #13 & #14 -- The one and only time it makes sense to hold stocks in an IRA. When to place an equity mutual fund into an IRA -- and when not to.

Most investors own both taxable and tax-deferred accounts. Some also own tax-free accounts, such as Roth IRAs. Few investors consider which investments are best held in these different accounts. Yet, properly allocating the investments between the accounts can change the amount of after-tax income available for retirement.

A typical investor will hold stocks and equity mutual funds for the long term. The mutual funds will have low annual distributions that are subject to taxes. For this investor, the best advice is the conventional advice.

Hold in a taxable account investments that already are tax-advantaged, such as stocks, equity mutual funds and real estate. Gains from these investments will be taxed at the long-term capital gains rate. If the investor incurs losses in the taxable account, these can offset gains from other investments in the account or other income.

If these tax-advantaged investments instead were in a tax-deferred account, the investor would be converting tax-advantaged income into ordinary income. That is because distributions from an IRA are taxed as ordinary income.

Secret #15 -- The simple rule of thumb that makes it a snap to avoid needless taxes.

Few people can hold all of their stocks and mutual funds for the very long term. They need to sell at least a few investments each year, or the mutual funds make some distributions. What is the break-even point? When does it make sense to hold stocks and equity mutual funds in an IRA (where taxes on the gains are deferred but are imposed at the top ordinary income tax rate when distributed) instead of in taxable accounts?

Here is the rule developed from my research: Stocks and equity mutual funds should be held in a taxable account unless at least 25% of the annual return from them is taxed at ordinary income tax rates.

Secret #16 -- The one investment you should ALMOST ALWAYS sell when you start tapping your retirement accounts.

Investments with paper losses held in taxable accounts usually should be sold first. The realized losses offset any capital gains for the year, including distributions from mutual funds. Losses that exceed gains offset other income up to $3,000 per year. Any additional losses are carried forward to future years to be used in the same way until exhausted.

You'll whittle your tax liability to the bone by using this simple strategy. In addition, you give the winning investments more time to compound income and gains before they are tapped. The only exception to this rule is when you believe the losing investment is ready to turn around and begin earning a higher return than the rest of the portfolio.

Secret #17 -- How to determine the best investment to sell for the lowest possible tax bill?

When it is time to draw down taxable retirement accounts, care should be taken with the choice of investments to sell each year. Good tax management can make the accounts last longer and provide greater after-tax wealth.

The rule to follow is to first sell the assets with the lowest tax cost. I favor selling the assets with the lowest taxes as a percentage of their value. To compute this, divide the taxes that would be due on the sale by the value of the asset to be sold. Using this simple calculation incurs the lowest taxes each year. You will have to sell a lower value of assets, because less of the sale proceeds will be used to pay taxes, leaving more after-tax money for spending.

Secret #18 -- Three little-known rules for outfoxing the tax man when trading stocks in your taxable investment accounts.

There are strategies that will reduce taxes on taxable investment accounts. Most retirees don't know these trading secrets of professional and institutional investors. They could save each retiree thousands of dollars in taxes each year, and make the retirement fund last that much longer.

In the taxable account you want to minimize the number of trades made each year. Numerous trades mean short-term gains, taxable at the top tax rate. Sell investments only when one of these conditions is met:

The prospects for the investment are poor or mediocre. A higher return in another investment can make up for the taxes you will pay to sell the first investment.

The investments are high risk. Your nest egg should primarily have investments that have margins of safety. Most retirees cannot afford to see a large portion of their nest eggs decline in value.

There will be low taxes on the trade. The best way to meet this requirement is to hold a security for more than one year before selling, qualifying for the long-term capital gains rate.

Secret #19 -- Safest retirement account for "junk" bonds.

Interest earned on bonds is taxed as ordinary income, at the top tax rate. Junk or high-yield bonds earn higher interest than other types of bonds. Bonds and other investments that generate ordinary income should be held in tax deferred vehicles when possible. Real estate investment trusts also generate high ordinary income and generally should be owned through tax-advantaged accounts. If you also have a Roth IRA, generally the highest returning investments should be held in the Roth, because that maximizes the amount of tax-free income down the road.

Secret #20 -- The type of retirement account you should almost always tap last.

When deciding the order in which to withdraw money from different types of retirement accounts, my research shows that Roth IRAs and any other tax-exempt accounts should be tapped last.

The combination of tax-exempt compounding and distributions maximizes wealth when the compounding is allowed to work for a long as possible. As a general rule, the IRAs with nondeductible contributions should be allowed to compound longer than fully taxable IRAs, since distributions from nondeductible IRAs will be only partly taxable

Secret #21 -- How to avoid taking required minimum distributions after age 70½?

Owners of traditional IRAs are required to take distributions from their IRAs each year. The amount of the required minimum distributions is determined by an IRS formula. For a number of older Americans, the RMDs exceed their spending needs.

It means they are taking money out of their IRAs and paying taxes on income they do not need.

A solution for some people is to withdraw money from their IRAs before they need to. Pay income taxes now so that future gains can compound in a taxable account and be subject to the long-term capital gains rate instead of the ordinary income tax rate.

My research shows that there are people for whom it makes sense to do this instead of following the traditional advice of letting money compound in the tax deferred account as long as possible.

Briefly, there are people with sufficient assets outside of their IRAs that they are not likely to need the IRAs during their lifetimes, or at least not need the bulk of the IRAs.

Yet, the tax law requires them to begin distributions after age 70½. These distributions are taxable as ordinary income and will increase as the individual ages. When children or other heirs inherit the IRA, they will owe income taxes on distributions from the IRA.

In these situations, the investor could be better off taking money out of the IRA early, paying the taxes at the current value, and letting the after-tax amount compound in a tax-deferred account. This is discussed more fully in the Archive on the web site (www.RetirementWatch.com) and in my books.

You should consider this option if you have a large IRA or significant assets outside the IRA so that you do not need the IRA to maintain your standard of living.

Secret #22 -- Invest your IRA in real estate, privately-issued company stock, hedge funds, separately managed accounts and a host of other assets in your IRA.

Most IRA custodians say that only publicly-traded securities and mutual funds can

be purchased through an IRA. This is not part of the tax law. It is their internal policy. Their systems are not set up to handle assets that are not publicly-listed and traded. They also do not want to charge the additional fees they would have to charge to handle other types of assets.

Yet, you are allowed to own many of these assets in your IRA. To do this, you may need a different IRA custodian who's willing to allow you the flexibility to set up a Self-Directed IRA. Only a small number of IRA custodians offer these types of IRAs. Some people call it the Super IRA. Others call it the "Secret" IRA. Its more common name is the Self-Directed IRA or true Self-Directed IRA.

You can find them by going to any Internet search engine and typing in "self-directed IRA."

Secret #23 -- Greatly expand the use of the Super IRA and reduce its costs.

One of the disadvantages of the true Self-Directed IRA is that the custodians charge higher fees than other custodians. In addition, there are paperwork requirements and usually additional fees for every transaction the IRA makes. These factors make the true self-directed IRA impractical for small IRAs and for IRAs making a large volume of transactions.

Even these disadvantages can be reduced or eliminated by taking another step that very few advisors know about. You can set up a limited liability company, and have that wholly-owned by the IRA. Then all your investments and other transactions are made through the LLC. The LLC is a separate taxpayer and investor, the IRA simply owns the LLC the way a conventional IRA might own Microsoft or GE.

The LLC can buy any investment that is suitable for an IRA. But it makes the purchases through its own accounts using its own funds. Some people refer to this as the Checkbook IRA, because all the IRA investments are made through the LLC's checkbook or brokerage account.

You might have to prepare a tax return each year for the LLC and have to pay attention to other details. You should not attempt it without an experienced custodian and an attorney to help set up the LLC. The LLC documents must have certain language to allow ownership by an IRA. Without the language, the plan could have big problems.

By using this strategy, you'll enjoy complete control over your IRA assets. You can uncover a wide range of profit-making opportunities that most investors never consider for their IRAs. And you can better protect your nest egg from the ravages of a long-term bear market by moving away from a traditional stock and bond portfolio.

Secret #24 -- How to avoid IRA penalties for helping family members?

Here's an example of what you can do without a penalty once an LLC IRA is created.

Suppose you have a stepchild who is ready for college.

Your LLC IRA can lend the tuition money to the stepchild. Over time the stepchild pays back the IRA with interest (perhaps using annual gifts from you). The loan plus interest goes back into your IRA, tax deferred. In addition, the interest might be deductible by the stepchild. This is how your LLC IRA can be used both to earn money and help a loved one. The transaction also works for brothers, sisters, nieces, and nephews.

Or suppose you help someone buy a home or other property by having your IRA write the mortgage. The person gets a loan. Your IRA earns interest income as mortgage payments are received. The loan is secured by the property, protecting your nest egg. And the borrower gets to deduct the interest payments. These are just the tip of the iceberg. There are many other interesting and profitable transactions IRAs are allowed to make.

Secret #25 -- How to buy your dream vacation home using your IRA?

While the list of prohibited transactions is extensive, it is not absolute. The law requires the Department of Labor to create a procedure for obtaining exemptions from the prohibited transactions rule. This has been done, and the Department grants a number of exemptions each year.

Here is a sample of exemptions granted over the years:

- An IRA owner sold real estate to his IRA.
- An IRA owner sold stock to his IRA.
- An IRA owner purchased stock from his IRA.
- An IRA owner purchased real estate from his IRA.
- An IRA owner lent money to a corporation of which he was the sole owner. That means when the loan was repaid, the corporation paid tax deductible interest to the IRA.

The Department of Labor, through its Employee Benefits Security Agency, reviews applications for exemptions. The office also grants "class exemptions." These are available to anyone meeting the qualifications stated in the class exemption.

To be granted an exemption, you have to show the office that a transaction is administratively feasible, is in the interest of the plan and its participants and beneficiaries, and that it protects the rights of plan participants and beneficiaries.

An individual exemption is put on a fast track to approval if you show that the transaction is substantially similar to two or more exemptions granted in the last five years.

The web site is revised regularly, but at the time of this writing, here's how you can get full details of past exemptions at the web site www.dol.gov/ebsa/. In the right column, click on "EXPRO Exemptions," "Individual Exemptions," and "Class Exemptions." For full details about exemptions and procedures, get the booklet "Exemption Procedures Under Federal Pension Law," available at **www.dol.gov/ebsa/publications/-exemption_procedures.html**.

The possibility of an exemption widens your financial options. For example, your IRA might be able to write the mortgage on your next home or vacation home.

Instead of writing mortgage checks and paying interest to a bank or other lender, you will be making the payments to your IRA. And the interest likely will be deductible. That's a pretty good deal. When in doubt, work with a tax advisor who is well-versed in the rules for making nontraditional investments in IRAs.

Secret #26 -- Be sure your heirs do not make the #1 mistake with inherited IRAs.

Heirs, often with the help of the IRA custodian, at times make a big mistake when they inherit IRAs that triggers immediate and large tax bills. They lose the tax deferral of the IRA.

The mistake they make is to change the title of the inherited IRA to their names. This simple name change triggers a rapid distribution of all the IRA's assets.

This means your heirs could get whacked with an enormous tax bill and have to fork over 35% or more of their inherited IRA in income taxes to the IRS!

To prevent this tax tsunami from swallowing up your wealth, it's very important to tell your heirs this: An inherited IRA needs 3 things in its title to keep it safe from the greedy clutches of the IRS …

1. The name of the owner who passed away
2. The word 'IRA'
3. The statement that it is "for the benefit of" the heir.

So an appropriate title for an inherited IRA would be, "John Sample IRA (deceased), F/B/O Bob Sample, beneficiary."

These three simple title changes can provide ironclad protection and the ultimate flexibility for your heirs. Now they can take distributions when they want to, NOT when the IRS decides. That means your heirs can stretch out their IRA distributions over a longer time horizon, minimizing their tax impact.

Secrets #27 -- Don't let heirs fall into this common trap.

Required minimum distributions are required of beneficiaries who do not take all the money out of the IRA rapidly and pay taxes on it. Fail to take the RMDs and there will be penalties imposed. The key deadline is Dec. 31, of the year after the year in which the original IRA owner died. By that date, the RMDs must begin.

Heirs need to know this and have their distribution schedule established on time. Follow the rules and the heirs will have a "stretch IRA," one that allows the tax deferred compounding to work as long as the law allows. Otherwise, the IRA will have to be distributed within five years, or there will be penalties and taxes.

Secret #28 -- How to be sure an IRA goes to the loved ones you want to receive it?

One of the easiest things you can do to ensure your IRA custodian follows your wishes is to scrap their standard beneficiary forms. Most of the mistakes made by IRA custodians are tied to this beneficiary form, which IRA owners often spend a minute or less filling out.

But a little bit more of careful planning can save a large portion of your wealth for your heirs and keep it out of the greedy hands of the IRS. That's why I recommend you submit your own customized beneficiary forms with detailed instructions. This simple step can prevent a lot of headaches and needless taxes.

It can also help you take advantage of opportunities you might not be able to otherwise. For example, in a rare burst of generosity, the IRS issued regulations that provide opportunities for IRA beneficiaries to extend tax deferral.

A customized beneficiary form can help your heirs take advantage of this opportunity to defer taxes and keep your IRA custodian from messing up things. Most estate planners have experience drafting customized beneficiary forms and working with custodians to accept the forms. Customized forms should be considered seriously when an IRA is large, there are multiple beneficiaries, or it is not desired to split the IRA equally among the heirs.

Secret #29 -- A mistake you don't want an IRA custodian to make.

Here's another common mistake IRA custodians make. Most IRA custodians assume that multiple beneficiaries to your IRA are meant to inherit equal shares of it. But that may not be your plan. You may want one beneficiary to inherit a larger share than another.

Most standard beneficiary forms don't even consider your wishes in this. They don't even have enough space to designate different portions for each beneficiary. That's why customized forms are so important in order to make your intentions clear.

If you are thinking of something other than an equal split of the IRA, consider having an estate planner draft a custom beneficiary designation form. An alternative: split the IRA into separate IRAs for each beneficiary.

Secret #30 -- A key issue about passing on IRAs that most estate plans ignore.

An IRA is going to be included in the owner's estate, and estate taxes will be incurred if the estate is large enough.

When estate taxes are incurred, the next issue is who pays the taxes attributable to the IRA.

Most standard wills provide that estate taxes are paid from the residuary estate or from the surviving spouse's share. Other estates apportion the taxes against specific assets or shares of the estate. If the IRA is a large percentage of the estate and taxes are paid from the residuary estate or surviving spouse's share, the taxes could really shrink those shares of the estate.

Having the taxes paid by the beneficiaries of the IRA could create problems. If the beneficiaries do not have sufficient other assets to pay the taxes, they will have to take a distribution from the IRA to pay the taxes. The distribution will be included in gross income, so they will have to take an extra amount to pay the income taxes on the distribution they take to pay the estate taxes.

The best solution depends on the particular estate. The IRA owner should take care to consider how much the estate taxes will be and which part of the estate will pay them or whether life insurance should be purchased to pay the taxes.

Secret #31 -- A little-known tax saver that people who own employer stock in their 401(k)s must know.

Many workers own shares of employer stock through 401(k) or other retirement plans. Few of these workers, or even their financial advisers, know the tax break that is available to substantially reduce the tax burden from selling those shares.

With a little planning and by following a few steps, workers can substantially reduce the tax burden on selling the employer stock and increase their after-tax retirement funds.

The tax break is known as net unrealized appreciation or NUA. The rules work like this -

If you sell the employer stock while it is in your 401(k) or other retirement account, you do not get the tax break. The proceeds from that sale eventually will be distributed to you (from either the 401(k) or an IRA rollover) and be taxed at ordinary income rates.

To maximize tax breaks, you do not want to sell employer stock while it is in your 401(k). There might be non-tax reasons for selling the stock. If you have doubts about the long-term future for the stock or believe too much of your net worth is in the stock, you might want to sell some or all of it. Otherwise, the shrewd tax strategy is to hold the employer stock while it is in the retirement account.

To qualify for the tax break, you also cannot take any withdrawals from the retirement plan before taking a distribution of the stock, even required minimum distributions after age 70½. If you do, you are ineligible for the tax break.

Take a lump sum distribution from the 401(k) plan. This means that all of the account must be withdrawn from the account in the same calendar year. The rule is firm. The entire account must be withdrawn within the same year. It does not have to be distributed at once, but the full account must be distributed within the same tax year.

Have the employer stock deposited in a taxable brokerage account in your name. It is usually best to have the other assets rolled over to an IRA. The IRA rollover means that those assets are not taxed until withdrawn from the IRA.

If you follow these rules, the employer stock receives special tax treatment. You include in gross income in the year of the lump sum distribution the original value or cost basis of the shares. No other taxes are due at that time, no matter how much the shares appreciated since you acquired them.

As you sell the employer shares, long-term capital gains taxes are due on the appreciation that occurred since you acquired the shares. The long-term gain treatment is allowed regardless of how long the shares have been owned either inside or outside of the 401(k).

The treatment is the same whether you purchased the shares through your 401(k) plan or received them as a matching contribution from the employer.

Suppose you treat the employer stock the same as your other IRA assets and roll it over to the IRA or keep it in the 401(k) until it is distributed to you. Then, the value of the stock is taxed as ordinary income when distributed the same as your other IRA or 401(k) assets.

The tax break is available even if the company's stock is not publicly-traded. Many private companies periodically determine a value for their stock. These values can be used to determine the employee's basis in the stock. When the employer stock is distributed to you, the employer should tell you its basis.

The NUA treatment is also available to heirs who inherit the 401(k) account and take a lump sum distribution after the employee's death. And it is also available to divorced spouses if they received part of the retirement account under a qualified domestic relations order.

An employee does not have to use the NUA treatment for all the stock in the plan. Shares that have appreciated a lot can be distributed to the brokerage account and taxes on only the basis paid today. Shares that have not appreciated much can be rolled over to an IRA with other account assets; taxes on those shares are deferred until the shares are distributed.

If a person holds the shares until death, the heirs do not get to increase the tax basis of the shares. The heirs will owe capital gains on the appreciation when they sell the shares just as the employee would have.

The 10% early distribution penalty applies to distributions of employer shares taken as part of an NUA distribution. If the employee is at least age 55 and takes the distribution after separating from the employer, the 10% penalty usually does not apply.

Secret #32 -- A deduction most heirs of IRAs overlook or misunderstand.

Most taxpayers and even many tax advisers are unaware of the deduction for income in respect of a decedent. But many people who inherit a substantial IRA are eligible for this deduction, which essentially is a deduction for the estate taxes that were paid on the IRA. The deduction is best explained with an example.

Suppose someone left a large estate with an IRA. The estate tax accountant computes that the IRA was responsible for 36.7% of the estate tax paid, and that the IRA's share of the estate tax was $175,000. When the beneficiary takes distributions from the IRA, a miscellaneous itemized deduction (not subject to the 2% floor) of 36.7% of each distribution is allowed. This continues until the beneficiary has deducted a total of $175,000 over the years.

The deduction can be taken only as an itemized expense on Schedule A. So, if you don't itemized expenses because they don't exceed the standard deduction, you won't receive a benefit from the deduction.

The estate tax accountant should determine the data for the deduction. Details can be found in the IRS Publication 559, Survivors, Executors, and Administrators available free on the IRS web site, www.irs.gov.

Secret #33 -- Your heirs and executor can optimize the beneficiary selection.

The details of who should get an IRA can be left to your executor who, along with family members, can determine from both a financial and tax standpoint who should be the beneficiary.

The beneficiary does not have to be selected until Sept. 30 of the year following the year of the owner's death. The first required distribution does not have to be made until Dec. 31 of that year. But the designated beneficiary must be one of a group of primary and contingent beneficiaries named by the account owner.

The way to take advantage of this provision is for you to name both primary and contingent beneficiaries. After your heirs and executor decide who should inherit, those who are ahead of that person in the beneficiary chain can disclaim their interests.

There is a procedure in the tax law for making qualified disclaimers. Your heirs and executor should be aware of your intentions and this process, and you should give the executor guidelines for making the decision and advising the beneficiaries.

Secret #34 -- An IRA can shelter some assets from creditors.

A bankruptcy law enacted in 2005 increased protections for IRAs and other retirement funds from creditors. Retirement funds are exempt from the bankruptcy estate if they are exempt from federal income tax under tax code sections 401, 403, 408, 408A, 414, 457, and 501(a). This covers all qualified retirement plans, including IRAs, Roth IRAs, and 401(k) plans.

IRAs and Roth IRAs have a $1 million limit on their exemption, which is adjusted for inflation. In addition, the bankruptcy court can increase this exemption at its discretion. The court generally will examine the needs of the account owner to decide if a higher limit is warranted. The limit does not apply to many rollover contributions from employer plans to IRAs. Other retirement plans are protected without limit.

Keep in mind that the protections of retirement plans apply only in federal bankruptcy court. Creditors might have access to the accounts under state law in non-bankruptcy actions.

Secret #35 -- State income and estate taxes are a bigger threat to your plans than before.

The most important tax audit of your life is likely to take place either in the first few years of retirement or after you pass away. It is a state residency audit and could befall anyone who moved to another state during retirement or who owns homes in at least two states during retirement.

The residency audit is likely to occur at either of two times. One point is shortly after you stop filing income tax returns in the old state or start filing part-year resident returns after years of filing full-time resident returns. The other point is after death.

Income taxes are not the only target of the states. While the federal government has been reducing estate taxes, 19 states and the District of Columbia have estate or inheritance taxes in place in 2020. These taxes often have lower thresholds than the federal estate taxes and can be much more significant than the federal taxes.

The problem for individuals is that residence and domicile are nebulous, complicated concepts. The rules and decisions often vary between the states and are reviewed only by their own courts. The states do not have to make consistent decisions. It is not unheard of for two states each to claim one person as a resident.

Most states have one bright-line rule. If you are present in the state more than 183 days (half the year) you are a full-time resident. The first step if you want to change residence is to keep a log or other proof showing that you were physically present in the new state more than 183 days of the year, or at least that you were not in the old state more than 183 days.

While being in a state more than 183 days makes you a resident, being out of the state more than 183 days does not automatically make you nonresident. Contacts with a state and other subjective factors can determine your residence.

Residency and domicile are defined as states of mind. A person is resident in the state he intends to be his permanent residence indefinitely. Facts and circumstances are used to determine a person's intent. You need to line up as many facts as possible to demonstrate your intent to change residence.

Establishing the facts is important, because you won't be around to help in an estate tax audit.

Here are key steps to take:

- Change any government registration or official address. Change the address for your passport, driver's license, voter registration, and auto registration. File all federal, state, and local tax returns with the new address and file them with the office that is designated for residents at your new address.

- Have all your financial accounts sent to the new address. These include bank accounts, brokerage and mutual fund accounts, credit card statements, and other loan statements.

- Have all your mail sent to the new address. When you spend time at the other home, have mail held or forwarded only temporarily; do not register a change of mailing address with the post office.

- f you travel a lot, whether between multiple homes or on vacation, keep a log or diary of the travels. Leave for vacations from the new permanent residence.

- Execute a new will in the new state.

- Shift memberships in clubs, churches, and other organizations to the new state. Drop memberships in the old state or change them to associate, non-resident, or some other part-time status.

- Sever fixed contacts with the old state. Most advisors believe it is best to sell the residence in the old state or rent it full time so that you are not able to stay there. If you want to maintain some kind of residence in the old state, downsize and do not leave personal items that indicate an intent to stay there, such as photos. Also, do not leave valuables or personal items in the old state. Some people leave their important documents, jewelry, and other items in storage or safe deposit boxes in the old state. That shows an intent not to leave permanently.

- If you maintain a residence of some sort in the old state, have all bills sent to the new state and conduct any correspondence using the new address.
- Keep the evidence of your intent to move. In an audit, the state might ask for diaries and calendars, credit card statements, phone bills, and other information for three years. Make sure your heirs and executor know where this information is.

Secret #36 -- Maximizing the power of a Roth IRA conversion.

Converting a regular IRA to a Roth IRA can be a shrewd financial move. Now, we're going to discuss how to establish a plan that will multiply the benefits of a conversion.

Two key rules can be used to develop the most effective Roth conversion plan.

One rule is that an entire IRA does not have to be converted, and all your IRAs do not have to be converted. You can convert an IRA in stages over the years, or convert only a portion of an IRA and no more.

In fact, many people convert just enough of an IRA to keep from pushing them into the next higher income tax bracket. Since the converted amount is included in your gross income for the year, converted an entire IRA could increase your taxable income enough to move you into a higher bracket. The tax cost of converting is lower if you convert the IRA over several years and avoid paying taxes at a higher rate.

The other key rule is to take steps to reduce your taxable income for the year. This might include deferring other types of income to the next year or increasing deductions. One step some people take is to bunch several years' worth of charitable contributions into the same year as an IRA conversion. The charitable contribution deduction might offset a large portion of the IRA conversion. A good way to do this is to donate appreciated investments to charity, such as stocks or mutual funds. You won't be taxed on the appreciation that occurred while you owned the asset and will receive a charitable contribution deduction for its fair market value on the date of the contribution.

Remember that when a traditional IRA is converted to a Roth IRA, the amount converted is treated as a distribution. It is included in gross income for the year and taxed as ordinary income.

Secret #37 -- How to avoid the "means-testing" surtax hike on Medicare premiums.

In 2015 Congress passed a law that increased the premiums on some higher-income beneficiaries of Medicare beginning in 2019. Here's how you can use your IRA to lower its impact.

Medicare beneficiaries with higher incomes face higher premiums in 2007 and thereafter. The premiums are not fixed; future amounts can only be estimated. But beneficiaries have to factor these higher costs into their financial plans.

The higher premiums, called surtaxes, are imposed on a sliding scale. They begin rising for single beneficiaries whose incomes exceed $80,000 and for married beneficiaries whose joint incomes exceed $160,000.

Adjusted gross income, with some modifications, from tax returns is the basis for calculating the premiums. The modifications are that AGI is increased by tax-exempt interest, EE bond interest used for education expenses, and any excluded foreign earned income.

The IRS will give your tax return information to the Social Security Administration (SSA). In turn, SSA will determine the year's premiums for each Medicare beneficiary from the tax return from one year earlier and inform them between mid-November and December how much their premiums will be. For example, 2017 premiums were determined using 2015 tax returns, and beneficiaries were told their premiums in late 2016.

The premium decision can be appealed. If a person's financial situation has changed — say because of a divorce, death of a spouse, retirement, or reduced working hours — SSA can be asked to consider a different income figure. Details about the reconsideration process and reasons that will be considered valid are included with the premium notice.

A beneficiary can choose to have the higher premiums withheld from Social Security benefits as with the regular premiums or can pay the premiums separately.

Currently, the basic premium is set at a level that will cover 25% of total estimated Medicare spending for the year. The other 75% is paid by the program.

The subsidy will decline under means-testing so that the highest income taxpayers eventually will pay 80% of the estimated per capita cost.

The means-tested premiums are for Part B and Part D of Medicare only. Part A coverage does not have a premium. The Part D surtax is listed in the table below. You pay the premium set by the individual plan plus the surtax.

The surtax can be avoided or reduced only by reducing modified adjusted gross income. For future years MAGI can be kept low by limiting withdrawals from retirement plans or annuities to amounts needed for spending and those required by minimum distribution rules. Earning tax-exempt interest does not help, since that interest is added to AGI to determine premiums.

Capital gains planning becomes more important. Higher capital gains not only incur taxes but can increase Medicare premiums. Retirees might want to make fewer sales outside of tax-deferred accounts or be careful to offset gains by selling assets with paper losses whenever possible.

Itemized deductions, such as for mortgage interest and charitable contributions, do not help. But losses from businesses and from capital assets do reduce MAGI.

Secret #38 -- Why Florida may not be every retiree's dream tax haven.

Sure, paying no state income tax is nice, but here are four overlooked states that offer you even juicier tax breaks.

State tax laws discriminate based on age, and that can be a good thing for some taxpayers. Even notoriously high tax states can be tax havens for retirees. In fact, Florida and other retiree magnets might not be the tax havens they are promoted as when the full tax picture is considered.

Florida has no income tax, but it does have high sales and property taxes (at least for some property owners), and its high homeowner's insurance premiums can be considered a tax for living in the Sunshine State.

What's interesting is that retirees can be in a different category than the general population. A generally high-tax state can be a tax haven for retirees, while a generally low-tax state might not be a haven for retirees.

You need to evaluate state and local taxes and stay up to date on them. They've changed a lot since the financial crisis. A few states that were tax havens for retirees no longer are, or they are less favorable to retirees than they were.

Michigan, for example, used to exempt all pension and retirement income (including IRA distributions) from its income tax. After the financial crisis, however, the rules were changed. Now, those types of income are exempt only for taxpayers with incomes up to certain levels and only for taxpayers born before 1954.

Likewise, Ohio used to allow tax credits for retirement plan income, including lump sum distributions, to all taxpayers. Now, the credits are allowed only to taxpayers whose individual or joint adjusted gross income is less than $100,000.

Pennsylvania, on the other hand, is not generally a low-tax state but still can be a retiree tax haven. Most distributions from employer retirement plans and IRAs are tax exempt when received after age 59½. Social Security income is also tax exempt. But you have to keep in mind that Pennsylvania has an inheritance tax while many states have eliminated estate and inheritance taxes, and also real estate taxes are relatively high in Pennsylvania.

To determine if a state is tax-friendly in retirement, you need to examine more than the income tax rate. A state might have low income tax rates or even no income tax but more than make up for that with steep taxes in other categories, such as sales and property taxes.

That’s why you want to focus on all the taxes, including local taxes, imposed in a place you are considering for your retirement home. Importantly, consider your sources of income, spending and property owned and how those will be taxed. Don’t simply consider the general tax levels.

State tax laws change regularly, so be sure to check the latest law and any proposed changes.

Secret #39 -- Moving to a state with no income tax will help your nest egg last longer, right? Wrong!

Five other taxes imposed by these "low-tax" states will gouge your retirement savings.

Social Security is your base retirement income. Determine if your state is one of the few that still taxes all or part of the benefits. Seven states piggyback on the federal tax code and tax up to 85% of benefits. Eight states tax lesser amounts. The others exempt the benefits.

Pension and retirement account income might be exempt in full or in part. A few states fully exempt retirement income. Many have a partial exemption, but you have to read the details.

It is common for a state to exempt only traditional defined benefit pension payouts, not IRA and 401(k) distributions. Some give government pensions a bigger break than private pensions. A minority of states gives IRA distributions or other non-traditional retirement savings breaks similar to those for other pensions.

Take a look at how other income is taxed and any miscellaneous tax breaks. Some states give seniors special exemptions for investment income or allow deductions for various expenses, including contributions to 529 plans for the grandkids. Others effectively impose penalties on retirees, for example by taxing capital gains and investment income at higher rates than other income.

Real estate and sales taxes can be significant expenses. Some states and localities reduce or defer property taxes for seniors. Others finance most of their government spending through these taxes, and they are high. In some states, taxes on a home can jump significantly for a new owner.

Estate and inheritance taxes are a factor in only 19 states and the District of Columbia in 2014. The taxes can be higher than federal counterparts in many of these states, so study the effects carefully before moving.

State and local tax laws change. For details on the latest tax law in a state, take a look at www.RetirementLiving.com and www.totaltaxinsights.org/calculator. Don't forget to look at county and city taxes before deciding where to live.

Secret #40 -- Why taking Social Security benefits as early as possible might no longer guarantee you the most money from "Uncle Sam."

What is the best age to begin taking your Social Security benefits? The answer might be changing.

As with everything else about retirement, the right decision changes over time and isn’t the same for everyone.

Most people know that the earlier you begin Social Security benefits, the lower the payment will be. Begin benefits before normal retirement age, and you receive a reduced monthly benefit. The amount the benefit is reduced depends on how long before normal retirement age it begins. You can begin taking benefits as early as 62. Starting the benefits at age 62 results in a monthly benefit equal to about 75% of the normal retirement benefit.

But delaying receipt of benefits increases the monthly benefit. Delay benefits past normal retirement age, and the benefit increases by 6% to 8% per year.

The key is that the increase and decrease rates are set so that anyone who lives to life expectancy receives the same lifetime payouts regardless of the age benefits begin. That makes the normal life expectancy the "breakeven point." Live beyond that point and you will benefit by waiting to receive benefits. Your lifetime benefits will exceed what you would receive by starting at age 62.

But the increase and decrease rates were set in 1983, the last time Social Security was reformed, using life expectancy tables available at the time. Life expectancies have increased considerably since then. About half of men currently age 65 will live past age 85.

Another factor is that the annual cost of living increases also increase the initial benefit for those who delay benefits. If you actually wait until age 70 to begin benefits, you should receive a higher benefit than the one estimated when you were age 62, because of the cost of living factor.

About two thirds of beneficiaries begin their benefits early, and for many years that made a lot of sense. But the change in life expectancy is a reason many should at least consider delaying benefits. If you have no reason to believe your life expectancy will be below average, the delay might make sense. Since half of your age group will live beyond life expectancy, and that life expectancy is higher than what was assumed in 1983, most people will receive a higher lifetime benefit by waiting.

Secret #41 -- When you begin Social Security benefits can affect your spouse.

If you were the higher income earner and pass away first, your spouse's benefits after your demise likely will be based on your benefits. Delay your benefits, and your spouse's benefits will be based on the higher benefits you received. But take benefits early, and your spouse's current and survivor benefits will be reduced. If you don't need the money, delaying benefits is an easy way to increase your spouse's lifetime security. Many advisors view delayed Social Security benefits as a very low-cost form of life insurance. Your spouse receives a higher benefit that is indexed for inflation and guaranteed for life, no matter how long that lasts. For the cost of foregoing Social Security benefits for a few years that can be a good deal if you do not need the money early.

About Retirement Watch…

Trained as an accountant and attorney, Bob Carlson’s *Retirement Watch* was the first publication to cover all the financial aspects of retirement. Launched in 1991, it remains the only source of its type. The advice and recommendations in *Retirement Watch* are based on independent, objective research, designed to give you the best recommendations for how to increase your financial independence. Bob’s strategies have helped make tens of thousands of satisfied subscribers happier and far more financially secure than they ever dreamed possible.

In addition, Bob has authored numerous books including the *Retirement Tax Guide, The New Rules of Retirement, and Invest Like a Fox…Not Like a Hedgehog*. He has been appointed to the Board of Trustees of the Fairfax County (VA) Employees' Retirement System, elected chairman by the board, and has also served on the Virginia Retirement System Board of Trustees.

Biography

Bob Carlson is editor of the monthly newsletter and website, *Retirement Watch.* He has served on the Board of Trustees of the Fairfax County Employees' Retirement System since 1992 and been chairman since 1995. The system has more than $4 billion in assets. Carlson was a member of the Board of Trustees of the Virginia Retirement System, which oversaw $42 billion in assets, from 2001-2005. He was appointed to the Virginia Retirement System Deferred Compensation Plans Advisory Committee in 2011.

His latest book is the revised edition of "The New Rules of Retirement" (Wiley, 2016; first edition 2004). He also co-authored "Personal Finance after 50 for Dummies" (with Eric Tyson; Wiley, 2015) and wrote "Invest Like a Fox…Not Like a Hedgehog" (Wiley, 2007).

He has written numerous other books and reports, including "The New Rules of Estate Planning," "Securing Your Lifetime Stream of Income," "Tax Wise Money Strategies, Retirement Tax Guide," "How to Slash Your Mutual Fund Taxes," "Bob Carlson's Estate Planning Files" and "199 Loopholes That Survived Tax Reform." He also has been interviewed by or quoted in numerous publications, including *The Wall Street Journal*, *Reader's Digest*, *Barron's*, *AARP Bulletin*, *Money*, *Worth*, *Kiplinger's Personal Finance*, the *Washington Post* and many others. He has appeared on national television and on a number of radio programs. He is past editor of *Tax Wise Money*.

Carlson also was a Commissioner on the Fairfax County Redevelopment and Housing Authority. Carlson is an attorney and passed the CPA Exam. He received his J.D. and an M.S. (Accounting) from the University of Virginia and received his B.S. (Financial Management) from Clemson University. He also is an instrument rated private pilot. He is listed in many editions of *Who's Who in America* and *Who's Who in the World*.