PREPARING NOW FOR 2019

RETIREMENT PLANNING

Whether retirement feels a long way off, or just around the bend, here are some points to consider. Tax time is a particularly helpful time to reassess where your retirement planning stands, because certain choices affect which deductions you'll need to take and what will be taxed as income.

REQUIRED MINIMUM DISTRIBUTIONS

If you are 70 1/2, you must take your required minimum distribution for 2018. If you have several IRA accounts, you may receive the distribution from just one, but the distribution must be calculated on the aggregate of your IRA balances. Note that if you are a recent recipient of an inherited IRA, you must take distributions by Dec. 31 of the year following the year of the original owner's death.

SPOUSAL IRA

An often overlooked retirement strategy is the ability for a non-working spouse to make an IRA contribution. As long as you are filing taxes as "married filing jointly," non-working spouses can make a $5,500 annual contribution to an IRA (or $6,500 if they are over 50 years old) in 2018. The deductibility of the IRA contribution can vary depending on your household income. If the modified adjusted earned income is over $199,000 in 2018, the spousal IRA contribution can't be deducted. However, in those cases, you can still make a non-deductible IRA contribution and immediately convert it into a Roth IRA. This is sometimes called a "Backdoor Roth" strategy. Careful consideration must be made while using this strategy to make sure there are no other pre-tax IRAs for the non-working spouse. This is because the IRS looks at the total IRA balance (including both pre- and post-tax IRAs) while looking at the conversion. You will have to pay income taxes on the pro-rated portion of the traditional IRA balance.

RETIREMENT PLAN CONTRIBUTIONS

Those with a 401(k) or other deferred compensation plan should remember to make allowable 2018 contributions before year-end ($18,500 regular contribution + $6,000 catch-up contribution for those age 50 or older by Dec. 31, 2018). While IRA structures, such as a SEP IRA, provide additional time to make 2018 contributions, now is an excellent time to speak with your CPA to determine what your 2018 contribution can be. For those who have started new businesses and may not have set up a retirement plan, sit down with your advisor to determine whether a retirement plan makes sense and, if it does, what type would be the best fit for you.

ROTH 401(K)

Many plans are now offering a new option for 401(k) contributions. While you are likely familiar with the traditional, pre-tax salary deferrals, you may also have the option of electing a Roth 401(k). With traditional contributions, the amount is excluded from your income and then grows tax-deferred until you make a withdrawal. Assuming the withdrawal is made after age 59 1/2, you would pay ordinary income tax on the amount that is withdrawn. With the Roth, you are contributing after-tax money, but both the contribution and all future growth will be income-tax free. To participate, your 401(k) plan must allow for the Roth 401(k) — many employers have added this feature.

NON-DEDUCTIBLE CONTRIBUTIONS

Another option in some employer-sponsored retirement plans is the ability to make deferrals beyond the 401(k) contribution limit ($18,500 for 2018). You may be able to make a non-deductible deferral beyond the 401(k) limit up to the defined contribution plan limit ($55,000 for 2018). Recent changes to non-deductible contributions can now be allocated when you separate from your firm and roll the assets to an IRA. As of Jan. 1, 2015, you can differentiate how certain deferrals are allocated to different retirement accounts. For example, if you have $20,000 in pre-tax deferrals in your 401(k), $50,000 of non-deductible deferrals and $10,000 of growth on the non-deductible deferrals, you could make a rollover as follows: $30,000 to a traditional IRA ($20,000 from the 401(k) and $10,000 of growth on the non-deductible portion) and $50,000 to a Roth IRA (from the non-deductible deferral). Essentially, this strategy allows you to make significant future contributions to a Roth IRA account.

Every employer plan is different, and you may be able to leverage additional tax strategies depending on the plan's rules. Together with your advisor, you should work through the complexities of retirement-related tax planning. A good first step is to set an annual meeting to review your plan document to identify opportunities.

SIX TIPS FOR A COMFORTABLE RETIREMENT

1	**Don't Go with the Default Savings Rate** Increase your 401(k) savings rate from the default 3 percent.
2	**Always Get the 401(k) Match** Most employers match up to 6 percent.
3	**Increase Contributions as You Age** It's okay to save smaller portions when you start out, but be sure to increase them as you age.
4	**Be Aware of IRS Penalties** Know the rules about early and late withdrawal penalties.
5	**Never Miss Catch-Up Contributions** Remember, the IRS allows you to save more as you age.
6	**Diversify with Roth 401(k)** A Roth 401(k) allows you to make a withdrawal tax-free in retirement — look for opportunities with your advisor.