



KRASNEY FINANCIAL PRESENTS:

WEEKLY FINANCIAL ARTICLE FOR THE WEEK OF JANUARY 16, 2007



NEW YEAR, NEW IRA RULES THREE 2008 TAX LAW CHANGES THAT IRA HOLDERS SHOULD KNOW ABOUT.

Higher IRA contribution limits. If you have a Roth IRA or traditional IRA, you can contribute up to \$5,000 to it for 2008. That's up from a \$4,000 limit for 2007. (If you will be 50 or older at the end of 2008, you can add up to another \$1,000 to your IRA as a catch-up contribution.)¹

This raised contribution limit allows you to take more advantage of the power of compounding. Hypothetically, let's say your IRA earns a consistent 5% annual return for the next five years. Do the simple math, and you will see that \$1,000 at 5% annual growth compounds to \$1,276.25 in five years, and \$5,000 at 5% annual growth compounds to \$6,381.41.

If you have both a Roth IRA and a Traditional IRA, your total contribution to both accounts cannot exceed \$5,000 for 2008 (\$6,000 if you are age 50 or older).²

The end of the IRA charitable rollover. Charities and universities are rightly mourning the loss of a great gifting opportunity. The 2006 Pension Protection Act allowed taxpayers over age 70½ the chance to reduce their taxes through an IRA gift during 2007 – a direct IRA rollover to the non-profit of their choice. But in 2008, the opportunity will disappear, as Congress took no last-minute action to save it.²

You can still make charitable gifts in 2008 using your IRA. You just have to do it the old-fashioned way: you report the IRA withdrawal as income, and declare an offsetting income tax deduction for the charitable contribution. But the AGI cap on charitable contributions and the itemized deduction phase-out may restrict this.

A possibility to do a direct rollover from a 401(k) to a Roth IRA. Previously, assets from a 401(k) had to be rolled into a Traditional IRA before they could be rolled into a Roth IRA. Starting in 2008, certain 401(k) plan participants can make a direct rollover.³ Inquire with a qualified, knowledgeable financial advisor to see about your eligibility.

In fact, when it comes to any decision regarding your IRA, it is wise to consult a qualified financial advisor. This is certainly one of your most important investments, and any choice you make with it should be made with utmost care and knowledge.

Citations

¹ money.aol.com/retirement/fct1/_a/retirement-planningdefined-contribution/20050225134209990013

² newsday.com/news/columnists/ny-kidtwo5424352oct21,0,1528134.column

³ ncp.org

⁴ nytimes.com/2006/09/17/business/yourmoney/17fund.html?_r=1&pagewanted=print&oref=slogin

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Quote Of The Week

"To travel hopefully is a better thing than to arrive." –
Robert Louis Stevenson

Riddle Of The Week

A man tells you he can take a telescope and look into the past. Is he right? (Wait for next article for the answer)

Notable Numbers

The last time the US was in a recession during a presidential election was in the year of 1980. The country endured a 6-month recession that ended in July 1980. Republican Ronald Reagan defeated Democrat Jimmy Carter in the November 1980 election (source: NBER).

Answer to last week's

riddle: There would not be any smoke since it is an electric train.