

2020 Year-End Retirement Account To-Do List



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The end of 2020 is almost here. With the end of the year come certain retirement account deadlines. Here are 5 items you should have on your 2020 year-end retirement plan to-do list:

1. Do a 2020 conversion

If you are considering converting an IRA to a Roth IRA in 2020, time is quickly running out. The deadline for 2020 conversion is the end of the calendar year. There is a common misconception that a conversion can be done up until your tax-filing deadline. That is NOT the case. There is no such thing as a prior year conversion. The distribution must be taken in 2020 and reported on a 2020 Form 1099-R. It is best not to wait until the last minute. Be sure to leave enough time to get the transaction done.

2. Take a CRD

The CARES Act brought us Coronavirus-Related Distributions (CRDs). These are penalty-free distributions from retirement accounts. Income from CRDs can be spread equally over three years. Not everyone can take a CRD. CRDs can only be taken by those who meet certain requirements such as being diagnosed with the virus or suffering financial hardship due to it. CRDs expire December 30, 2020. If you qualify and think you may need funds, now is the time to act and take a CRD because the opportunity will soon be gone. If you end up not needing the funds, you have three years to repay them to your retirement account.

3. Do a 2020 QCD

Are you charitably-inclined? This is the time to be thinking about a Qualified Charitable Distribution (QCD) for 2020. A QCD is a tax-free transfer directly from your IRA to a charity. You must be age 70 ½ to be eligible. A QCD for 2020 must be done by December 31, 2020.

4. Check 72(t) payments

By using the 72(t) rules, you can tap an IRA before 59½ without a 10% penalty. The payments must be calculated using specific formulas and must continue for at least five years or until age 59½,

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whichever period is longer.

If you do not stick to the chosen payment plan, or modify the payments, they will no longer qualify for the exemption from the 10% penalty. Even worse, the 10% penalty is reinstated retroactively, to all distributions taken prior to age 59½. With such serious consequences, you need to monitor your 72(t) payments carefully. If you have a calendar year 72(t) schedule, the 2020 payment must be made by the end of the year. As the December 31 deadline approaches, advisors should check to make sure that annual payments have been made and the correct amounts have been paid.

5. Meet the requirements for NUA

If you took a distribution of company stock from your company plan in 2020 and are looking to use the Net Unrealized Appreciation (NUA) tax break, you will want to be sure that everything has been done properly by year end. Double check that a lump sum distribution has occurred. Remember that, to qualify for NUA tax breaks the entire distribution must be completed in one tax year. Check that ALL funds have been withdrawn from the plan. Be sure also that the company stock has been transferred to a taxable (non-IRA) account.

I am an Ed Slott Master Elite trained IRA Specialist and I would like to help you. If you have any questions regarding this article or would like to schedule a complimentary consultation please call my office at 845-627-8300. My Client Service Coordinator will be happy to set up a convenient time so I can help.

Warm Regards,

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