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January 19, 2022

Interactive Brokers

IRA Tune-up – Ignored issues in IRAs and Retirement Accounts

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IRA Tune - Up

Contribution Limits

Plan Type	2022 Limit	2021 Limit
401(k), 403(b), 457, SARSEP	\$20,500 (+\$6,500)	\$19,500 (+\$6,500)
SEP	\$61,000	\$58,000
Traditional and Roth IRA	\$6,000 (+1,000)	\$6,000 (+\$1,000)

Adjusted Gross Income

- Gross income minus adjustments to income. Gross income includes your wages, dividends, capital gains, business income, retirement distributions as well as other income. Adjustments to Income include such items as Educator expenses, Student loan interest, Alimony payments or contributions to a retirement account. Your AGI will never be more than your Gross Total Income on your return and in some cases may be lower. Refer to the [1040 instructions \(Schedule 1\)](#)

Limitations

Plan	Limits	
Traditional IRA – w/ employer retirement plan	MFJ (both covered)	\$109,000/\$129,000
	MFJ (one covered)	\$204,000/\$214,000
	Single/HOH	\$68,000/\$78,000
Roth IRA – contributions phase out - AGI	MFJ	\$204,000/\$214,000
	Single/HOH	\$129,000/\$144,000
SEP – IRA	\$245,000	

Investments in your IRA

- Stocks and mutual funds
 - Master limited partnerships
- Alternative investments
 - Gold and other precious metals
 - Real estate
 - Privately owned businesses – start ups
 - Cryptocurrency

Unrelated Business Taxable Income (UBTI)

- Unrelated business taxable income is income earned by a tax-exempt entity, such as an IRA, that is not related to the exempt purpose of the tax-exempt entity. The exempt purpose of an IRA is to provide for the retirement of the IRA holder.

- Let's say, for example, you own an oil drilling partnership in your IRA, and the drilling equipment owned by the partnership is leased to another company to use.

This rental income would be considered UBTI.

- UBTI tends to be generated by the following types of investments:

- Limited partnerships (LPs)—businesses owned by more than one person, with limited liability to the owners for business debt

- Master limited partnerships (MLPs)—a type of LP that is publicly traded and often found in the energy sector

UBTI Tax Rates for IRAs

UBTI Income	Tax Rate	On the amount over
\$-0- to \$2,650	10%	\$-0-
\$2,650 - \$9,550	\$265 + 24%	\$2,650
\$9,550 - \$13,050	\$1,921 + 35%	\$9,550
\$13,050 and up	\$3,146 +37%	\$13,050

Form 5498 – Specified assets

- A—Stock or other ownership interest in a corporation that is not readily tradable on an established securities market.
- B—Short- or long-term debt obligation that is not traded on an established securities market.
- C—Ownership interest in a limited liability company or similar entity (unless the interest is traded on an established securities market).
- D—Real estate.
- E—Ownership interest in a partnership, trust, or similar entity (unless the interest is traded on an established securities market).
- F—Option contract or similar product that is not offered for trade on an established option exchange.
- G—Other asset that does not have a readily available FMV.
- H—More than two types of assets (listed in A through G) are held in this IRA.

Secure Act changes

- RMD – from 70.5 to 72
- No IRA age cap – contribute to a traditional IRA as long as you are working.
Forms 1099-R and 5498 (2022)
- No more “stretch IRA” non spousal beneficiaries must take funds within 10 years
 - Exceptions – minors (must be children – not grandchildren)
 - Keep in mind this has gone from 5 years, to unlimited to 10 years. Keep alert for future changes

Uniform Life Table for RMDs -2022

Age	Dist. Per.	Age	Dist. Per.	Age	Dist. Per.	Age	Dist. Per
70	29.1	82	18.5	94	9.5	106	4.3
71	28.2	83	17.7	95	8.9	107	4.1
72	27.4	84	16.8	96	8.4	108	3.9
73	26.5	85	16	97	7.8	109	3.7
74	25.5	86	15.2	98	7.3	110	3.5
75	24.6	87	14.4	99	6.8	111	3.4
76	23.7	88	13.7	100	6.4	112	3.3
77	22.9	89	12.9	101	6	113	3.1
78	22	90	12.2	102	5.6	114	3
79	21.1	91	11.5	103	5.2	115	2.9
80	20.2	92	10.8	104	4.9	116	2.8
81	19.4	93	10.1	105	4.6	117	2.7

IRA Beneficiaries - Spouses

- Spouse
 - Treat inherited IRA as own:
 - Designate themselves as beneficiary
 - Combine with their IRA
 - Designate themselves as beneficiary
 - Use the right table
 - Watch what you do to preserve any basis

IRA Beneficiaries – non-spouse

- Account owner dies before 1/1/2020 – non spouse has RMD – taken over lifetime (Stretch)
- Account owner dies 1/1/2020 or later – Distribution must be completed before 10 years from the date of death.
- Exceptions: direct minor children, disabled, chronincally ill

Roth IRAs

- Distributions not currently subject to tax
- Watch this area – there have been proposals in Congress to tax Roth IRA distributions as far back as the Obama administration. Nothing has come of it, but it isn't dead either.

Estate Planing

- A bit out of topic – but still on topic.
 - Do you have a plan?
 - Is your will current?
 - Are your wishes known?
 - Is someone familiar with your assets?
 - Passwords and passcodes

Estate Tax

- 2022 exemption amount \$12,060,000
 - Currently index for inflation
 - Expires in 2026
 - Expect a change from Congress before then
- New Annual Gift limit \$16,000 per person – up from \$15,000.

Think about what you spend

- Not all money is the same

Questions

- Email to: