IRA NEWSLETTER

IRAs
Keeping You Informed

Your Community Credit Union
CROSS VALLEY FEDERAL CREDIT UNION
"Solutions For Your Financial Life"

If You Qualify, Take Advantage of a Spousal IRA

If your spouse is unemployed or only works part-time, he or she may not qualify for the maximum benefits from Social Security. Social Security benefits were never meant to fully fund retirement but to only supplement retirement income. These certainly are good reasons for one-income couples to really address ways for a secure retirement. A spousal IRA allows a spouse who has little or no earned income to qualify for an IRA contribution, as long as the working spouse earns enough income to fund the spousal IRA.

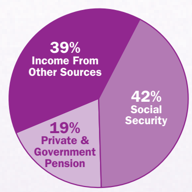
To fund a spousal IRA, you and your spouse must file a joint tax return for the year you contribute.

If you contribute to your own IRA, spousal IRAs enable a qualifying couple to double their IRA contributions to $11,000 from $5,500 in tax year 2014. If you are over age 50 you can add a "catch-up" $1,000 contribution for each of you. A one-income couple could contribute $13,000 in year 2014 ($6,500 each). ■

Income Sources

Do you realize that you could be responsible for nearly 60% or more of your retirement income? This chart clearly shows which piece of the "pie" you may want to increase to provide a truly comfortable retirement.

Source of Retirement Income For The Average Individual Over 65*



*Association of Retirement Planners

Fund your IRAs with their maximum contributions today to increase your retirement income tomorrow! ■

"CATCH-UP" CONTRIBUTIONS

Traditional & Roth IRAs

Workers 50 or older before the end of the taxable year, can make up for lost time with additional IRA contributions over and above the maximum limits as follows:

For Year 2016: $1,000 • For Year 2017: $1,000

IRA Fast Fact

Change In IRA Rollover Regulations

IRA One-Rollover-Per-Year-Rule

Beginning as early as January 1, 2015, you can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own. You can, however, continue to make as many trustee-to-trustee transfers between IRAs as you want. You can also make as many rollovers from Traditional IRAs to Roth IRAs ("conversions") as you want.

INSIDE THIS ISSUE:

The Most Often Asked Questions About Traditional IRA Distributions

What Are The Regulations Governing IRA Withdrawals?

To discourage people from withdrawing funds, the federal government imposed a 10% penalty for early distribution. In order to avoid this penalty the IRS has made a few exceptions as follows:

- Age 59½
- Disability
- Death
- First-Time Homebuyer (Limit of $10,000)
- Qualified Higher Education expenses
- Medical expenses in excess of 10% of your Adjusted Gross Income
- Health Insurance purchased while unemployed for 12 consecutive weeks
- IRS Levies
- Qualified Military Reservist Distributions
- Substantially Equal Periodic Payments (subject to many restrictions)
- Conversions (Direct or Indirect)

Once you reach age 59½, you can begin taking money out of your account without penalty. However, many people prefer to leave their funds untouched until they actually need them. This allows their money to continue growing through tax-deferred interest compounding.

You are ***required*** to begin taking distributions from your account once you reach age 70½. Government regulations specify a minimum amount you must withdraw each year. Failure to do so will result in substantial penalties, 50% of the amount you should have withdrawn, no later than December 31st of that year, but failed to do so.

It's important to remember that, if you have withdrawn money at any time prior to age 70½, you cannot count those withdrawals toward your required minimum upon reaching 70½. Likewise, after age 70½, if you take more than the minimum distribution of your RMD in one year, you can't reduce a future year's minimum distribution by the excess.

When Must Distributions Be Taken?

If your 70th birthday falls on or before June 30th of a given year, you must take your first distribution (RBD - Required Beginning Date) on or before April 1st of the following year. If you are 70 on or after July 1st and you will not be 70½ until the following year, you will not have to take the first distribution (RBD) until April 1st of the year after you reach 70½. All other distributions (RMD) must be taken no later than December 31st of each year thereafter.

For example: If you reach age 70 in June of 2017 (70½ in December '17) you may take your first distribution at any time but no later than April 1st of 2018. If you reach age 70 in July of 2017 (70½ in January '18) you may take your first distribution at any time in 2018 or wait until April 1, 2019. If at any time you choose to wait until April 1st to take your first distribution (RBD) you must also take a second distribution that same year. (RMD) This will impact your income for that year and you may pay more in taxes. Please consult your tax advisor before you take a distribution.

What About Taxes?

Contributions and earnings taken from your Traditional IRA are taxed as ordinary income. If you have made both deductible and nondeductible contributions to your IRA you will be required to take a prorated distribution of both. Your tax advisor can help you calculate the portion on which you will be taxed.

What Are Your Options For Distributions?

There are two basic options for Traditional IRA distributions after age 59½ without penalty.

1. You may withdraw the entire amount or any portion of the balance in your IRA account.
2. You must begin to take Required Minimum Distributions (RMDs) from your Traditional IRA in the year in which you reach age 70½ or you may take sums larger than the RMDs as you need them.

Let's Look At Each Option.

The **first option,** withdrawing all or a portion of your funds has one distinctive disadvantage. The amount withdrawn will be subject to taxation as ordinary income in a single year. This could result in a substantial tax liability for you, and a significant decrease in the amount of money you can actually use for your retirement.

The **second option,** you must take your Required Minimum Distribution (RMD) by December 31st for all subsequent years.

You may elect to take funds in addition to the required RMDs in order to help supplement your income. Bear in mind, that you will be taxed on the total amount you withdraw. Also, you run the risk of depleting your funds within your lifetime.

How Do You Calculate Your Required Minimum Distribution (RMD)?

Your RMD is calculated by dividing your Traditional IRA balance by a life expectancy divisor. Generally, your individual calculation would change each year.

Keep in mind that at anytime, if you wish, you may take more than your Required Minimum Distribution and as stated previously, you will be taxed on any amount taken.

How Do You Determine The Traditional IRA Balance Used To Calculate Your RMD?

The total value of all Traditional IRAs, at the same institution, as of December 31st of the previous year would be the balance used for the RMD calculation. You will also have to add back in any outstanding rollovers taken in that same year.

What If You Have More Than One IRA?

The IRS permits you to take your RMD from the account or accounts of your choice. If you wish, you could aggregate (add together) the amounts of all your RMDs from each institution and take the total amount from only one institution or you could take each RMD amount from each individual institution.

Consolidating your IRA accounts into one IRA at only one institution would enable you to keep a more accurate account of your IRA funds and RMD distribution amount. If you would like to do this, you only have to contact us and we could help you make the move into your IRA, tax and penalty free.

How Do You Determine Your Life Expectancy When Calculating Your RMD?

You can, in most cases, determine the applicable life expectancy divisor by using the Uniform Lifetime Distribution table. *(shown below)*

To find the applicable life expectancy divisor for the year, you will need to find the age you will be this year, on the table. You then divide your prior December 31st balance for all IRAs by this divisor.

Uniform Lifetime Distribution Table

(**Age** – Applicable life-expectancy divisor)

70	27.4	**78**	20.3	**86**	14.1	**94**	9.1
71	26.5	**79**	19.5	**87**	13.4	**95**	8.6
72	25.6	**80**	18.7	**88**	12.7	**96**	8.1
73	24.7	**81**	17.9	**89**	12.0	**97**	7.6
74	23.8	**82**	17.1	**90**	11.4	**98**	7.1
75	22.9	**83**	16.3	**91**	10.8	**99**	6.7
76	22.0	**84**	15.5	**92**	10.2	**100**	6.3
77	21.2	**85**	14.8	**93**	9.6		

Does The New Uniform Lifetime Distribution Table For Determining Life Expectancy Work For Everyone?

An exception to applying the Uniform Lifetime Table would be, if your spouse is more than 10 years younger than yourself and is named the sole beneficiary for the entire year. This would be when you would calculate the distribution each year using the "Joint Life Expectancy Table." You would get a longer distribution period and not have to remove as much from your IRA.

Are There Any Penalties For Not Taking The Full RMD?

Yes. If you withdraw less than the RMD amount for any year, you will incur the IRS 50% excess accumulation penalty on the amount you failed to withdraw as required. ■

Questions You Need To Answer To Satisfy Your Retirement Planning Conscience

1 Do you have a will? ○ Yes ○ No

2 If so, is it current? ○ Yes ○ No
(You may need to update your will if your marital status has changed, if you have moved to another state, if the size of your estate has increased or decreased significantly, if children or grandchildren have been welcomed into your family, or if the person named as your executor may be unable to serve.)

3 Have you executed an enduring power of attorney to provide for management of your affairs if you are incapacitated? ○ Yes ○ No

4 Have you made a list of personal property items and who is to receive each? ○ Yes ○ No

5 Have you compiled information about online accounts and passwords, assets, bank or credit union accounts, deeds, insurance policies, financial advisors, etc., and told the person(s) responsible for administering your estate where the information is located? ○ Yes ○ No

6 Have you provided for guardianship of any minor children or disabled adult children? ○ Yes ○ No

7 Have you reviewed beneficiary designations of life insurance policies and retirement accounts to make sure they reflect your current wishes? ○ Yes ○ No

8 Have you executed a living will, setting forth your wishes about medical treatment? ○ Yes ○ No

9 Have you estimated taxes and other expenses that might be due at the end of your life, taken steps to minimize taxes, and arranged for your estate to have sufficient liquidity? ○ Yes ○ No

10 Have you developed a retirement plan in consultation with a financial advisor to ensure the quality of life you want when you quit working? ○ Yes ○ No

IRA FEATURES & BENEFITS

TRADITIONAL IRA

- If you qualify, your contribution may be tax-deductible and could save you in taxes. You should consult a tax advisor.

- Earnings are tax-deferred.
- You are not taxed until you withdraw funds (distributions prior to age 59½ may be subject to a 10% penalty)
- There are no income limits for contributions as long as you are under the age of 70½ and have earned income for the year.

ROTH IRA

- Although contributions are not tax deductible, earnings are tax and penalty-free if you had a Roth for 5 years and meet one of the following conditions:
  - a) Attainment of age 59½ or older
  - b) Disability
  - c) Death
  - d) First time home buyer (you may take a distribution up to $10,000)
- There is **no age limit** for contribution as long as you have earned income.
- Your **contributions only** may be withdrawn at any time tax and penalty free.

Remember, IRAs are federally insured separately from your other non-IRA accounts for $250,000.00

AT-A-GLANCE

TRADITIONAL & ROTH IRA CONTRIBUTION LIMITS

INDIVIDUAL* **Tax Year**	**Annual Contribution Limit**	**Annual Catch-Up Contribution Age 50 or Older**	**Maximum Annual Contribution Limit Age 50 or Older (including Catch-Up)**
2016	$ 5,500	$ 1,000	$ 6,500
2017	$ 5,500	$ 1,000	$ 6,500

MARRIED/ SPOUSE Tax Year	**Annual Contribution Limit**	**Annual Catch-Up Contribution Both Age 50 or Older**	**Maximum Annual Limit Both Age 50 or Older (including Catch-Up)**
2016	$ 11,000	$ 2,000	$ 13,000
2017	$ 11,000	$ 2,000	$ 13,000

2016* **Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth) is $5,500 ($6,500 if age 50 or older).**

2017* **Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth) is $5,500 ($6,500 if age 50 or older).**

Save Now, Live Comfortably Later

"Buy now, pay later" is the mantra in our credit happy culture. How about changing it to – "Don't Buy Now, Save For Later!"

Everyone loves a little of the luxuries in life and indeed, that is not going to change when you are retired.

Statistics show that even people with decent incomes are not saving enough for retirement.

How about taking some time to calculate how much you actually spend in a month on some of these niceties – dining out, lattes, an extra new item of clothing, the "latest" of anything. You may be surprised at what you are spending. True, your spending on these items keeps the economy going, BUT, what about your own future economy? Chances are something could be eliminated and the money saved could be shuttled into your IRA. If you have not set up an IRA, we will be happy to help you establish one.

Remember, the more unnecessary purchases you make now, the more you will "pay" for those purchases after retirement, in terms of a diminished standard of living. ■

IMPORTANT NOTE: The information contained in this newsletter is not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, tax or financial advisor with regard to your personal situation.