



# SHERPA INSIGHT

## Detterbeck Wealth Management, Inc.



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### CARING FOR YOUR IRA

by Lester G. Detterbeck, CPA, MBA, CFP®, PFS, CFA

Accumulating money in a retirement plan is the first 50% of the mission. The other 50% is protecting the assets you've spent a lifetime building from excessive taxation and stretching them to benefit future generations.

There are lots of real-life examples of potential pitfalls (none of these are our clients):

- Families paying 70%, 80% or more on taxes at time of death.
- The entire retirement account reduced by 50% by income taxes and penalty because the 60 day rollover period was missed by a 54 year old.
- Retirement assets transferring to beneficiaries other than those contemplated in the family estate planning, due to incorrect beneficiary designations.

Due to a complex combination of distribution and estate taxes that kick in at retirement or death, millions are at risk of losing much, perhaps most, of their retirement savings to taxes. And others may have their retirement assets end up with the wrong beneficiary through poor planning. We don't want that to happen to our clients and friends.

It is estimated that there are currently \$14 trillion in retirement assets of Americans. That's roughly 5 times the value of all publicly traded US stocks. Fifty-two million people have 401(k)s according to the Wall Street Journal. Four thousand Americans reach age 70 ½ each day.

Many people believe they have an estate plan, only to find out that one of their largest assets, the retirement account is exposed to 70%, 80% or more in taxation. Furthermore, distribution from conventional IRAs are subject to ordinary income tax up to 35% currently plus state income tax. And, it is likely that income tax rates could be higher in the future when many people, including the baby boomers, start taking distributions from their retirement plans.

We at Detterbeck Wealth Management want to make sure our clients implement plans to retain their retirement assets and transfer them eventually to the right beneficiaries, so the assets can continue to grow for years to come.

We are doing this in two ways. First, by adding to our already significant knowledge of IRAs and retirement plans. And, second, by providing a retirement plan annual "audit" as part of our SHERPA® process for existing clients. As you may know, our SHERPA® process reduces human error and

oversight and offers greater peace of mind through systematic and comprehensive proactive services to our clients.

*Ed Slott, CPA*



I have recently been admitted to membership in Ed Slott's Elite IRA Advisor Group. Ed Slott is a CPA who years ago determined that he needed and wanted to specialize in IRAs and retirement plans. He has been named as "The Best" source for IRA advice by the Wall Street Journal and called "America's IRA Expert" by Mutual Funds Magazine. He is often quoted in The Wall Street Journal, Time, Newsweek, USA Today, Investor's Business Daily and a host of additional national magazines and financial publications. Also, he appears regularly on TV and radio discussing IRA matters.

Ed Slott's Elite IRA Advisor Group is a private IRA study group of professional financial advisors with extensive IRA experience who have gone to the next level of study directly with Ed Slott on a continuous basis through full day workshops, the Elite forum and other regular communications. The Group is designed to provide its members ongoing access to the most up-to-date IRA information available in order to properly and professionally service their clients and attract new clients who need competent IRA advisors. Advisors in this group are dedicated to being IRA distribution experts and have made a year-long commitment to continue on their IRA knowledge base. The Group uses an exclusive system created by Ed Slott, designed for the complete care of all IRA distribution issues.

The Complete IRA Care Solution™ developed by Ed Slott and used by us Elite Advisors currently contains twenty six modules which we use to analyze client IRAs and propose recommendations, where appropriate, to clients.

In general our audit will cover the following areas:

- Inventory of all retirement plan accounts
- Review of beneficiaries, custodians & stretch opportunities
- Review of required minimum distributions
- Review of estate taxes and estate plan
- Review of lump-sum/rollover decision
- Review of tax breaks for beneficiaries

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- Review of income in respect of a decedent
- Review of special issues including charities, divorce, early distributions
- Review of potential prohibited transactions
- Review of Roth IRA conversion possibilities
- Additional items for unique circumstances

There will be no extra charge to our clients for this extra service, virtually unavailable from other financial professionals. It's all part of our commitment to turn our clients' financial vision into reality.

Please let us know if you have any immediate questions about your retirement funds. And, if a friend needs some help with their retirement funds, please let us know.



## **Oil and Gas Programs - Not Only Offering Cash Flow, but 100% Tax Write-Offs as "Well"**

by Brett M. Detterbeck, CFA, CFP®

One of the alternative investments we continue to like is oil & gas. We like these programs for a number of reasons. The main ones are listed below:

1) Diversification: Like most alternative assets, they offer a non correlated asset to the rest of your portfolio. For example, oil & gas typically pays no attention to whatever the stock market is doing, be it up or down.

2) Cash flow: Distributions typically start in the first year after investment and continue for the lifetime of the wells pumped. We generally use two different type of programs. Both are for development wells which means the drilling occurs in existing producing fields. One where the lifetime (or time of producing economically) of the wells exceeds 20-30 years, and one where the early distributions are larger and the lifetime lasts around 7-12 years.

3) Tax benefits: an investment in qualified oil & gas programs can be considered "Intangible Drilling Costs". These Intangible Drilling Costs are fully deductible to the investor (as a general partner) and therefore the investor can receive up to a 100% tax write-off in the year of investment. In other words, let's say you made \$150K this year. If you invest \$50K into a qualified oil & gas program, you may only have to pay tax on \$100K because the \$50K acts as an ordinary loss offsetting your ordinary income. This is very powerful stuff for tax planning strategies and can work especially well for clients enjoying a "big year" or those wishing to put away more money for themselves for retirement on a tax-advantaged basis.

Unfortunately, the attractiveness of these programs puts them in pretty high demand and hence our "chosen" programs may only be available for a limited amount of time. If you are interested in considering an oil & gas investment for this calendar year, please contact us immediately.

Please note that there are many levels of risks involved with purchasing units in an oil and gas program. Most programs are only available to accredited investors who meet strict suitability standards. You should speak to both your financial professional and your personal tax consultant before making a purchase.



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