ThinkAdvisor

Why You Need to Check for Retirement Account 'Tax Tumors'

by Brad Pistole

In 1999, at the age of 27, I woke up in a hospital emergency room. The doctor explained that I had arrived at the ER several hours earlier because I had had a seizure.

The MRI revealed a large tumor, and they referred me to a specialist who suggested immediate surgery. My option was to deal with the growth now on my terms or later on its terms. I agreed, and the surgery was successful.

In retrospect, I know I made the correct decision; I dealt with the problem.

When discussing retirement planning with your clients and prospects, consider “a tax tumor” they may have hiding in their retirement accounts.

Tax-deferred retirement accounts have something in common with my story: They have liabilities inside them, and they never stop growing.

When you own an IRA, 401(k), 403(b), federal Thrift Savings Plan, or any other type of tax-deferred account, you face a complicated reality. You can either deal with your tax liabilities now, or later. If you deal with them now, you do so on your terms. If you choose to wait, you will deal with the liabilities on the IRS’s terms.

Recent Changes
In 2020, Congress passed new laws regarding the tax liabilities inside your retirement accounts, and rules were changed. The required minimum distributions age (known as RMD’s) moved from 70 ½ to age 72.
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