DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Personal Financial Management

- RMD: Required Minimum Distribution
- Social Security and When to Claim the Benefits and Taxability
- Overseas Accounts / Global Income Declaration – FBAR/FATCA
- IRAs, ROTH IRAs
- Retirement Plans
- Tax Cut and Job Act of 2018

By

SanjayKumar Lodha, President & CEO

Dwyer Lodha & Associates Inc.,

REQUIRED MINIMUM DISTRIBUTION
How Do the RMD Rules Work?

The purpose behind the RMD rules is to limit the time retirement plan assets can grow tax-deferred by forcing qualified plan participants and traditional IRA owners to begin taking annual distributions no later than their required beginning date (RBD). In general, the RMD rules for traditional IRAs and defined contribution plans – defined contribution plans include both the traditional and the Roth TSP – are almost identical with some differences, as summarized in the following chart

	Traditional IRAs (including SEP, SIMPLE and SARSEP IRAs)	**Defined Contribution Plans (this includes a 401(k) plan and the TSP)**
When must the first RMD be taken (the "required beginning date" or RBD)	April 1st of the year following the year the account owner turns age 70.5, regardless of whether the owner is still employed.	April 1st of the year following the latter of the year the participant turns age 70.5 or retires. Exception: 5 percent owners must start RMDs by April 1st of the year following the year they become age 70.5.
How is the RMD calculated?	The RMD is determined by dividing the adjusted market value of the owner's IRA as of December 31st of the preceding year by the applicable distribution period.	In general, the same as IRA rule, except that the plan sponsor/administrator should calculate the RMD for the participant.
How should RMDs be taken if the owner has multiple accounts?	The RMD for each IRA must be calculated separately each year. However, owners can total the RMD amounts for all their IRAs and withdraw the total from one IRA or a portion from each of their IRAs. *A separate RMD does not have to be taken from each IRA.*	The RMD must be calculated separately for each retirement plan (for example, TSP, 401(k) and 403(b) plans) and withdrawn from that plan. Exception: Individuals with more than one 403(b) tax-sheltered annuity account can total the RMDs and then take them from any one (or more) of the tax-sheltered annuities.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

The required minimum distribution (RMD) applies to all employer-sponsored defined contribution retirement plans which includes profit sharing plans, 401(k) plans, 403(b) plans, 457(b) plans, and the Thrift Savings Plan (TSP) (both the traditional and the Roth TSP), and traditional IRAs. The RMD rules also apply to IRA-based retirement plans such as SEPs, SARSEPs, and SIMPLE IRAs*. But the RMD rules do not apply to Roth IRAs*.

This column discusses the RMD rules and why they must be a part of a federal employee's retirement planning.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

RMD Rules for IRAs

The following are some other RMD rules that IRA and retirement plan owners should be aware of:

- **Penalty for not taking the RMD**. If the annual distribution for an IRA or a defined contribution plan is less than the RMD, the shortfall is subject to a 50 percent IRS excess accumulation tax penalty. The 50 percent penalty is called the “tax on excess accumulations” and equal to 50 percent of the difference between the RMD and was not withdrawn. Note that the penalty is imposed for every RMD that is not withdrawn.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

RMD Rules for IRAs

- **Multiple distributions allowed**. The annual RMD can be taken in more than one payment as long as the total distributions for the year are at least as the required amount.

RMD Rules for IRAs

- **Distributions exceed RMD**. If in any year an individual IRA or defined contribution plan owner receives more than that year's RMD, the owner cannot apply the excess against the RMD required for any future tax year. The exception to this is any amount distributed in which the owner becomes age 70.5 counts towards the amount that must be distributed by April 1st of the following year.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

What is the Required Beginning Date (RBD)?

The RBD depends on:

(1) The type of retirement plans – IRA or a qualified retirement plan;

(2) for qualified retirement plans, including the TSP, whether the plan participant is retired at 70.5 or continues to work past 70.5; and

(3) for a qualified plan sponsored by a private employer, whether the plan participant owns more than five percent of the plan.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Note that an individual reaches age 70.5 on the date that is six months after the date of his or her 70th birthday.

For example, if an individual's 70th birthday was on June 24, 2017, then the individual reached age 70.5 on Dec. 24, 2017.

Type of Retirement Plan	**RBD**
Traditional IRA, SEP IRA, SIMPLE IRA	April 1st of the year following the year the individual reaches age 70.5
Qualified retirement plan, not a greater-than-5 percent owner of sp onsoring employer	April 1st of the year following the *later* of: (1) the year the individual reaches age 70.5; (2) retires
Qualified retirement greater-than-5 percent owner of sponsoring e mployer	April 1st of the year following the individual reaches age 70.5

Suggestions for Minimizing the Tax Consequences of the RMDs

Two suggestions for minimizing or avoiding the tax liabilities associated with taking RMDs are:

1. Not delaying the first RMD until April 1 of the year after the individual turns age 70.5, or in some cases, retires). If an individual becomes age 70.5 in a particular year but waits to take his or her first RMD until sometime between Jan. 1 and March 31 of the following year, then the individual will have to take another RMD for the following year, the year after he or she becomes age 70.5.

Suggestions for Minimizing the Tax Consequences of the RMDs

This second RMD would have to be taken by Dec. 31 of the following year. Taking two RMDs in one year may have adverse tax consequences such as (a) increasing the taxable income possibly pushing the individual into a higher tax bracket; (b) subject the IRA owner or the retirement plan participant to the 3.8 percent net investment income (NII) tax; or (c) cause additional Social Security benefits to become taxable.

DWYER & LODHA ASSOCIATES
WE SAVE TAXES....

Suggestions for Minimizing the Tax Consequences of the RMDs

2. The use of Qualified Charitable Distributions (QCDs), as discussed in another column. QCDs allow IRA owners to meet all of their RMD obligations. Available only to IRA owners age 70.5 or older, the maximum annual exclusion for QCDs is $100,000.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

SOCIAL SECURITY BENEFITS-DETAILS AND TAXABILITY

Important retirement ages in the U.S.

40 45 50 55 60 65 70 75

Age 49 or less
Contribute towards employer sponsored (401(k), 403(b), 457, TSP) & individual (IRA) retirement plans. Withdrawals may incur 10% early withdrawal penalty

Age 50
You are eligible to make catch-up contribution towards employer sponsored and individual retirement plans

Age 55
If you separate from (i.e., retire or quit or lose) your job, you can start early withdrawals from employer sponsored plans without incurring 10% penalty

Age 59½
You can start withdrawals from your employer sponsored plans and individual retirement accounts without incurring 10% penalty

Age 62
You are eligible to claim social security benefits

Age 65
You are eligibile for Medicare

Age 66/67
You have reached full retirement age (FRA). Claim now to receive full social security benefits

Age 70
Claim now to receive maximum possible social security benefits

Age 70½
Start required minimum distribution (RMD) to avoid high taxation

1. The "take it ASAP and keep working" strategy

According to the Social Security Administration's official rules, you can start receiving benefits as early as age 62. You'll receive a smaller monthly check than you would if you claimed benefits at your full retirement age, but you'll also get *more* checks. This is a good option for those who need that influx of cash earlier in their retirement or want to keep their savings in tax-favored accounts for longer so that their retirement investments continue to grow as long as possible.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

However, if you plan to tap your Social Security income early and then supplement it with income from another job, your benefits could be reduced depending on how much bacon you bring home.
Using the "retirement earnings test," the SSA will look to see if what you earn exceeds a certain limit and then lower the amount in your Social Security check accordingly. For 2017 the earnings limit is $16,920, and every $2 you make over that amount reduces your benefit by $1.

This doesn't go on forever, though. In the year in which you reach your full retirement age, the earnings cap goes up to $44,880, and every $3 you earn beyond that reduces your benefits by $1. Earnings after you reach full retirement age are no longer subject to a cap and have no effect on your benefits going forward.

That said, by working, you continue to accrue credit for your annual wages (which might actually boost your future benefit once you reach full retirement age), and you will be repaid the benefits you surrendered along the way.

2. The "wait for it" strategy

Though it's tempting to start claiming your due from Uncle Sam the moment you officially retire, you might want to hold your horses for a few years. The benefit of waiting is a bigger payday.

For example, excluding inflation (which is reflected in the cost-of-living adjustments that increase beneficiaries' Social Security payments), a 62-year-old receiving a $750 benefit today could boost their monthly payment to $1,000 by waiting until age 66 to claim benefits. Hang in there until age 70, and your paycheck will grow substantially:

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Monthly Benefit Amounts Differ Based on the Age You Decide to Start Receiving Benefits

This example assumes a benefit of $1,000 at a full retirement age of 66

Monthly Benefit Amount: $0, $300, $600, $900, $1,200, $1,500

Age You Choose to Start Receiving Benefits	Monthly Benefit Amount
62	$750
63	$800
64	$866
65	$933
66	$1,000
67	$1,080
68	$1,160
69	$1,240
70	$1,320

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

The risk of going with this strategy is death. That is, the longer you wait to start claiming your Social Security benefits, the fewer paychecks you'll likely collect before you (ahem) *permanently retire*. Still, if you can wait to start claiming Social Security benefits and you have a family history of longevity, then the payoff can be tremendous.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

3. The "you go first" strategy

For couples, coordinating benefits to maximize their combined lifetime payments is complex, and it's important to know the rules. Namely, if you want to claim Social Security benefits based on your spouse's work history, then you must wait until your spouse has filed for retirement benefits. Those who claim spousal benefits are entitled to up to 50% of their spouse's benefit, depending on when they claim (more details here).

It can be especially smart for the lower-earning spouse to claim their benefits early while the higher earner delays their benefits until age 70, when their benefit will max out. Because the higher earner's full benefit is greater, those delayed-retirement credits will boost their benefit even more than they would the lower earner's benefit.

4. The "claim early and invest it" strategy

It's true that if you claim Social Security at age 62 and then live well into your 80s, you'll receive less in total lifetime benefits than you would get by claiming later. However, that's assuming that you *spend* your benefits, rather than putting them to work for you.

If you were to invest your Social Security benefits starting at age 62, they could grow to be worth far more than the cumulative benefits you'd receive by claiming at age 70. In fact, even if you only earned 5% on your invested Social Security benefits, you'd still be ahead at age 90.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

4. The "claim early and invest it" strategy

This strategy comes with a couple of big caveats, though. First of all, it only makes sense if you don't need those benefits to get by *and* you're confident that you can generate a decent return on your invested benefits. Secondly, if you have loved ones who might one day rely on Social Security survivor benefits based on your record, then you may prefer to delay your benefits in order to raise any survivor benefits that would be paid out in the event of your death.

5. The "don't get married again after age 60" strategy

Here's one for spouses (or exes) receiving Social Security benefits based on a deceased spouse's income. (In more blunt terms, this is a rule you should know if you were married to, or divorced from, someone who died and you are eligible for spousal benefits.) There are a lot of factors that affect Social Security spousal benefits, but here's a particularly important rule for anyone who had a May-December romance in which Mr. or Ms. December died before you: If you remarry before age 60, then you won't be able to claim your late ex's benefits.

If you're divorced and your ex is as healthy as an ox, then so long as you were married for 10 years or more *and* you haven't taken another trip down the aisle, you're eligible for spousal benefits -- even if your ex remarries. And here's a little something extra to add a silver lining to your breakup: You don't even have to wait for your ex to file for benefits in order to claim your spousal benefits, so long as your ex is *eligible* for benefits.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

6. The "move to avoid paying Social Security income taxes" strategy

So this one's not the most practical strategy for most retirees, but if you live in one of the 13 states that tax your Social Security income and are open to packing up the homestead and moving, then consider adding "state tax laws" to your strategic comparison list. The states of Minnesota, North Dakota, Vermont, and West Virginia tax Social Security income without exemptions. Colorado, Connecticut, Kansas, Montana, Missouri, Nebraska, New Mexico, Rhode Island, and Utah have their own set of rules based on age and income to guide what taxpayers must include on their state tax returns. For residents of these states, it's important to know how much of their Social Security benefits they may have to give up in order to stay put.

There's no one-size-fits-all strategy for claiming Social Security, but as you think about how your benefits factor into your retirement plan, make sure you consider these six strategies and more.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

The $16,728 Social Security bonus most retirees completely overlook

If you're like most Americans, you're a few years (or more) behind on your retirement savings. But a handful of little-known "Social Security secrets" could help ensure a boost in your retirement income. For example: one easy trick could pay you as much as $16,728 more... each year! Once you learn how to maximize your Social Security benefits, we think you could retire confidently with the peace of mind we're all after. Simply

If you are younger than full retirement age and make more than the yearly earnings limit, your earnings may reduce your benefit amount. (Full retirement age is 66 for people born between 1943 and 1954. Beginning with 1955, two months are added for every birth year until the full retirement age reaches 67 for people born in 1960 or later.)

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

If you are under full retirement age for the entire year, we deduct $1 from your benefit payments for every $2 you earn above the annual limit. For 2019, that limit is $17,640.

In the year you reach full retirement age, we deduct $1 in benefits for every $3 you earn above a different limit. In 2019, the limit on your earnings is $46,920 but **we only count earnings before the month you reach your full retirement age**.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

In 2019, the annual earnings limit is $17,640 if you're under full retirement age. If you will reach full retirement age in 2019, the limit on your earnings for the months before full retirement age is $46,920.

Starting with the month you reach full retirement age, there is no limit on how much you can earn and still receive your benefits.

Let's look at a couple of examples: You are receiving Social Security retirement benefits every month in 2019 and you

- Are **under full retirement age all year.** You are entitled to $800 a month in benefits. ($9,600 for the year)

You work and earn $27,640 ($10,000 over the $17,640 limit) during the year. Your Social Security benefits would be reduced by $5,000 ($1 for every $2 you earned over the limit), but you would still receive $4,600 of your $9,600 in benefits for the year. ($9,600 - $5,000 = $4,600)

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

- Reach **full retirement age in August 2019.** You are entitled to $800 per month in benefits. ($9,600 for the year)

You work and earn $63,000 during the year, with $49,040 of it **in the 7 months from January through July**. ($2,120 over the $46,920 limit)

- Your Social Security benefits would be reduced through July by $706 ($1 for every $3 you earned over the limit). You would still receive $4,894 out of your $5,600 benefits for the first 7 months ($800 a month January through July). ($5,600 - $706 = $4,894)
- Beginning in August 2019, when you reach full retirement age, you would receive your full benefit ($800 per month), no matter how much you earn.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

- Here’s how bad: Unless something’s done to shore up Social Security, monthly checks could get cut 23% by 2034.
- Social Security does face serious challenges, and the payout may decline — but the program itself is not going anywhere. The two trust funds that pay Social Security’s benefits — the Old-Age and Survivors Insurance (OASI) and the Disability Insurance (DI) trust funds — are running out of money, and the Social Security Administration’s trustees do anticipate those accounts will run out of money in 2035.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

- **But if that happens, Social Security benefits won't disappear. If Congress does nothing to fix the program, Social Security will rely on the taxes coming in and Americans will just get less of a benefit.**
- **When the funds are depleted, Congress has a few options: it can pass a law to keep benefits at the same level, which would increase the country's deficit, or it could choose to raise the age that Americans get benefits or increase payroll taxes. If nothing is done, which experts say is unlikely, all beneficiaries would get 80%** of scheduled benefits, according to the Social Security Administration's trustees **report released last week.**

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

When people claim Social Security

Age	Share
Age 62	34.3%
63	6.3%
64	6.4%
65	10.3%
66	18.1%
67-69	3.9%
70	3.7%
Disability	17%

SOURCE Social Security Administration

George Petras/USA TODAY

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Will Social Security be around when I retire?

Don't count on it. Or don't count on *all* of it. Here's the deal: Social Security is fully funded until 2034. After that, there will be enough money to fund about 77% of scheduled benefits. This means that, without reform, many Americans might not reap the full benefits of Social Security in retirement.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

According to the Social Security Administration, 2.8 workers currently share the costs to cover one beneficiary. By 2035, that ratio will change to 2.2 workers per beneficiary. Several factors contribute to that shift, with the primary one being the number of Baby Boomers who will retire in the next decade. It’s estimated that the number of Americans age 65 and older will increase from 49 million to 79 million by 2035, creating a strain on the system as it’s currently designed.

As discouraging as this sounds, no one can predict just how Social Security will shake out over the next few decades. The Social Security Administration says it’s unlikely that benefits will disappear entirely. So, until 2035, it’s business as usual.

Should I claim my benefits before full retirement age?

That's a good question. And the answer is different for everyone. **You can claim retirement benefits as early as age 62, or as late as age 70. If you claim your benefits before you're the full retirement age, your monthly amount will be reduced to reflect the longer period you'll receive them.** However, delaying your claim will increase your benefits to compensate for the shorter period you'll receive them.

Look at it this way: Let's say your full retirement age is 67 and you'd receive a monthly benefit of $1,000. If you begin claiming your Social Security at 62, your benefit would be $700. But if you wait to claim your benefit until age 70, it would increase to $1,240 a month.

Even better: If you have sufficient savings and don't need your Social Security benefits for living expenses, think about claiming your Social Security early and work with your **SmartVestor Pro** to invest every penny. If you invest $700 a month from age 62 to age 77, you could potentially have another $290,000 saved! That's money your family could inherit—and it blows away the Social Security survivor benefit your spouse would receive! Again, this scenario is for folks who have solid retirement savings. If you need Social Security for living expenses when you retire, it's best to work a few more years and claim the higher amount.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Sample Social Security Benefit Scenario		
Claiming retirement benefit at age:	If you are scheduled to receive $1,000 at full retirement age of 67.*	
	Your retirement benefit will be reduced:	How much you'll receive:
62	30%	$700
63	25%	$750
64	20%	$800
65	13.3%	$867
66	6.7%	$933
67	0%	$1,000
70	Increases 8% each year you delay after full retirement age	$1,240

** You were born in 1960 or later*

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

How do I calculate my Social Security benefits amount?

There are several variables that go into your individual benefit payout:

- Your lifetime earnings.
- Your age when you begin taking benefits.
- If you have enough credits to qualify in the first place.

Credits? Yes, credits. You'll need 40 of them over your wage-earning lifetime to receive Social Security benefits. In 2017, workers receive one credit for every $1,300 they earn. Workers are eligible for four credits a year. There are some nuances for credit accumulation for certain jobs, so be sure to check the Social Security Administration website for up-to-date information.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

7. How does Social Security fit into my retirement plan?

As it stands now, **Social Security replaces only 40% of a person's pre-retirement income**. Keep in mind, benefits could be reduced about 20% after 2034.

If your pre-retirement annual income is $55,000, right now Social Security will only replace around $22,000. You'll need another $33,000 per year to maintain your pre-retirement income. As we've mentioned, that gap would ideally be covered by your retirement savings in your 401(k) and Roth IRA.

A simple calculation shows that $33,000 multiplied by 20 years of retirement comes to $660,000—the amount you'll need in savings to bridge the gap between Social Security benefits and your pre-retirement income. That sounds like a lot, but saving that much *is* possible. If you invest the industry-recommended 15% of your annual income from age 40 to 67, you could have more than $1 million for retirement.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

2019 Social Security Income Limit		
AGE	**INCOME**	**CONSIDERATIONS**
Under FRA	$17,640	For every $2 over the limit, $1 is withheld from benefits
In the calendar year FRA is reached	$46,920	For every $3 over the limit, $1 is withheld from benefits until the month of full retirement age
At FRA or older	No limit	None

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

What Counts as EARNINGS for the Social Security Earnings Limit

What *DOES* Count	What *DOES NOT* Count
Employment Income	Pension Payments
Net Earnings from Self Employment	Annuity Payments
	IRA Distributions
	Dividends
	Interest Income
	Capital Gains

For complete list visit https://www.ssa.gov/OP_Home%2Fhandbook/handbook.18/handbook-1812.html

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

FOREIGN BANK ACCOUNT REPORTING
FBAR AND FATCA

What is FBAR?

The Report of Foreign Bank and Financial Accounts (FBAR), now FinCEN Form 114, is a form that must be filed with the Financial Crimes Enforcement Network (FinCEN) each year to comply with provisions of the Bank Secrecy Act of 1970. It discloses foreign financial interests and signatory authority over foreign financial accounts.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

What is FATCA?

The Foreign Account Tax Compliance Act (FATCA) is a law that empowers the IRS to investigate and penalize tax evasion by U.S. taxpayers with financial assets overseas. Form 8938, the Statement of Specified Foreign Financial Assets, is an attachment to your federal tax return on which you must disclose those assets to enable the IRS to ensure that any taxes on income earned on those foreign assets have been paid.

The Differences Between FBAR and FATCA Requirements

While the FBAR and FATCA reporting requirements are similar, there are several significant differences. You could own assets that must be disclosed on one but not the other, or must be disclosed on both.

Who Files

The FATCA applies to individual citizens, residents, and non-resident aliens with taxable interests. FBARs are required for a broader range of entities, including trusts, estates, and domestic entities with interests in foreign financial accounts. Residents and entities in U.S. territories also have to file FBARs, but not FATCA forms.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Reporting Thresholds

You must control a certain dollar amount in foreign assets or accounts before the reporting requirements kick in. For FBAR, this is a cumulative value of $10,000 in any accounts at any time during the year. For FATCA, the reporting thresholds are more complicated:

- **Unmarried taxpayers:** $50,000 in assets on the last day of the year or $75,000 at any time during the year (or $200,000 and $300,000 respectively for foreign residents).
- **Married taxpayers (filing jointly):** $100,000 in assets on the last day of the year or $150,000 at any time during the year (or $400,000 and $600,000 respectively for foreign residents).

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Types of Interests Reported

The FATCA applies to foreign assets in which your beneficial interest is of a type that would require you to report any gains, losses or distributions on your federal tax return, whether or not there is any actual gain loss or distribution to report. Financial (deposit and custodial) accounts held at foreign financial institutions

- Foreign retirement accounts
- Foreign mutual funds
- Foreign accounts held by a foreign or domestic grantor trust for which you are the grantor
- Foreign-issued life insurance or annuity contracts with a cash value

Types of Interests Reported

There are some types of assets that are only reported on one form, and not the other. The FATCA requires disclosure of:

- foreign stocks and securities
- Partnership interests
- Hedge funds
- Other private equity funds

On the other hand, FBARs are required for:

- Assets held in foreign branches of U.S. banks,
- Accounts where you have a signatory authority
- Indirect ownership interests or beneficial interests

Foreign assets which are generally non-reportable include:

- Financial accounts held at a U.S. branch of a foreign financial institution
- Domestic mutual funds which include investments in foreign stocks and securities

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

As recently as May 2016, the deadline to file an FBAR was June 30 of the following year. However, starting in 2017, FBARs will need to be completed, along with Form 8938 and your federal tax returns, by April 15. But while, you can file for an extension of your FATCA forms along with your tax return, the IRS has not historically allowed FBAR extensions.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

U.S. citizens, resident aliens, H1B/L1 and certain nonresident aliens are required to report worldwide income from all sources including foreign accounts and pay taxes on income from those accounts at their individual rates.

Taxpayers with foreign accounts whose aggregate value exceeds $10,000 any time during the year must file and Report of Foreign Bank and Financial Accounts (FBAR)

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Failure to report the existence of offshore accounts or pay taxes on these accounts can lead to civil and criminal penalties. For the Form 8938, the penalty may be up to $10,000 for failure to disclose and an additional $10,000 for each 30 days of non-filing after IRS notice of a failure to disclose, for a potential maximum penalty of $60,000; criminal penalties may also apply. For the FBAR, the penalty may be up to $10,000, if the failure to file is non-willful; if willful, however, the penalty is up to the greater of $100,000 or 50 percent of account balances; criminal penalties may also apply.

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Roth vs. Traditional IRA

A Roth IRA and Traditional IRA are both good retirement accounts to consider, and offer many investment options as you plan for your future. However, there are several key differences to keep in mind when determining which account makes the most sense for your particular needs

Roth: A Roth IRA allows you to make after-tax contributions
Best suited for: An individual who expects to be in a higher tax bracket when he or she starts taking withdrawals

Traditional: A Traditional IRA may allow you to make pre-tax contributions
Best suited for: An individual who expects to be in the same or lower tax bracket when he or she starts taking withdrawals

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Taxes

Roth: Contributions grow: Tax-free

Roth: Tax-deductibility: No, gives you no current-year tax benefits

Contributions grow: Tax-deferred

Contributions come from: After-tax dollars

Contribution age restriction: None

IRA: Tax-deductibility: Yes, gives you immediate tax benefits

(subject to income limitations for participants in employer-sponsored plans)

DWYER & LODHA ASSOCIATES

WE SAVE TAXES....

Contributions

Max contribution for 2019: $6,000 ($7,000 if you are over age 50)
Contribution eligibility: Those with earned income below a certain level
Contributions come from: Pre- or after-tax dollars
Max contribution for 2019: $6,000 ($7,000 if you are over age 50)
Contribution eligibility: Anyone with earned income
Contribution age restriction: Must be made before 70½

Withdrawals

ROTH: Penalties: Penalty- and tax-free after 5 years and age 59
ROTH: Mandatory distributions: None
IRA: Penalties: Penalty-free but taxed as current income after age 59
IRA: Mandatory distributions: After age 70