Making the most of winning IRA strategies

By David F. Royer
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As you talk with your clients in this still relatively new year, you're most likely hearing very similar comments and seeing common emotions in them: uncertainty and fear. Using your expertise and experience, you have an opportunity to calm and guide them. It's helpful to assemble and follow a checklist, and keep in mind these key strategies when talking with clients about IRAs and 401(k)s:

- With many of your clients retired, or planning to retire, do they still have too much of their IRAs and 401(k)s in the market?
- Should they leave those IRAs, 401(k)s and other qualified retirement accounts in the market and hope for a miracle, or roll them to safety now and stop the bleeding?
- Then again, what if they could do both? Hold some of their retirement accounts where they are and move some to safe and secure, compounded growth investments. The best way to help dig out of a hole is to start digging now.

I see three options to approaching retirement savings in a turbulent market:

1. The status quo
Simply stated: do nothing. Just wait the market out and hope for better days ahead. This might be a good strategy for investors who have plenty of time before they will need to think about retirement. For those who are currently retired or considering retirement, this approach could mean working a few years longer, or tightening the belt just when you were ready to relax, travel and enjoy life. If you choose this option, you might be in for the financial rollercoaster ride of a lifetime.

2. Sell now
Get your money out of the market now. If you've decided that enough is enough, then it's time to get out. One of the best ways to dig out of the financial market's "perfect storm" is to position your client's retirement funds for steady and guaranteed growth.

Fixed annuity sales rose by 54 percent in the third quarter of 2008 as compared to the same quarter of 2007. This growth was fueled primarily by favorable interest rates sought by investors looking for shelter from declining equity prices. Fixed annuities offer safety of principal and compounded growth. Some annuities have guarantees as high as 6 percent for stated periods, while others offer returns based on market gains without risk of principal. Other annuities offer a portfolio rate of return. This option is safer than most because they are largely backed by bond yields and some insurance companies have invested primarily in government backed bonds. When choosing a portfolio-style annuity, always look for the long-term guarantee. Anything under 3 percent ... run away!

3. Take the split fund route

I'm referring to a Split Funded IRA. There are some obvious advantages, like diversification or hedging your bet, but the less obvious advantages are just as important. Leaving some of your IRA in the market and rolling the rest into a fixed annuity can pay off big when it comes time for Required Minimum Distributions. RMDs are based on the account value as of December 31 of the prior year. Let's assume your IRA was at $500,000 on Dec. 31, 2007. The market tumbled and now the value of your account is only $350,000. Your RMD for 2008 is still based on $500,000. So you wind up taking a larger percentage because the market went south.

Split funding may be the solution. Think of it as having two IRAs, part in securities and part in annuities. If the market is down when it's time to take a Required Distribution, take the distribution from the annuity account to satisfy the RMD for both accounts. If the market is up, you have the option to take the distribution from your equity account. You now have financial agility and will not be forced to sell securities at a low price. If your plan is to buy low and sell high, this approach might work for you.

Currently the Treasury is considering suspending Required Minimum Distributions for 2008. By the time you read this, it may have already happened. The suspension may be extended to 2009 RMDs as well. This is a drastic measure due to the decline in stock values. IRA owners who choose to take a distribution due to income needs may still be stuck with selling securities at reduced prices. Those with Split Funded IRAs will not need to rely on Government intervention to save the day.

And remember, if you don't count your losses, they may get out of control. If you feel you need additional expertise in this field, seek out an advisor who is well trained in IRA Distribution Planning. At the end of the day, remember to make the choice that best fits the situation. It's your clients' hard earned money.

If you're interested in learning more about IRA Distribution Planning, go to www.IRAKeys.com.