

Ownership for Married Couples **Getting Ready to Retire**

By Casey Neuman, Esquire

How should the married couple hold their assets when the principal bread winner feels it's time to retire? The occasion of retiring from one's lifelong endeavor is frequently accompanied by a total review of the married couple's overall financial and estate plan.

For purposes of this article, assume that the husband turned 65 in January and is eligible to receive full Social Security next month. His wife, who is two years younger, retired several years ago and began receiving Social Security at age 62. The couple owns their home worth \$150,000 and \$600,000 of stocks and bonds. The husband has retirement benefits under a profit sharing plan of \$800,000 and the wife has an IRA worth \$100,000. The husband has \$200,000 of life insurance with a cash value of \$75,000. Their home is furnished with antiques which were recently appraised for insurance purposes at \$100,000. Both husband and wife are in good health.

A review of their annual expenditures indicates living expenses other than income taxes of \$60,000 per year. The couple will receive about \$30,000 per year from Social Security and will need gross income of \$75,000 per year to net \$60,000. Thus, their remaining assets must provide \$45,000 per year. The estate planner will likely recommend that the husband roll over his qualified retirement benefits into an IRA. Income taxes could be reduced by deferring the draw down of retirement benefits for the next five years. It means tapping their investments at the rate of \$40,000 per year or some 7 percent while the retirement benefits increase tax free.

With \$2 million of total combined assets, the couple could divide their assets equally with each leaving his or her estate in trust for the survivor so that there would be no federal estate tax regardless of the order of death. Such a plan might leave the husband with an IRA worth \$800,000 and the \$200,000 life insurance policy, while his wife would own everything else.

The couple will be advised, however, that estate's up to \$1.5 million are now exempt from federal estate tax and for 2009 the amount increases to \$3.5 million. Even if all of the couple's assets, other than the IRAs, were owned jointly and if the IRA and life insurance was payable to the survivor, it is unlikely there would be any federal estate tax. This plan avoids probate costs and any tax liability at the death of the first spouse and it likely will escape federal estate taxes at the death of the survivor. It also offers the best income tax planning with respect to the IRAs.

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