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## INVESTOR'S BUSINESS DAILY®

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### Keep Up On Latest Tax Rules

By PAUL KATZEFF

You probably already are working on your 2007 tax return. You likely also are thinking about a strategy for 2008.

Keep in mind changes in tax rules concerning retirement accounts:

- **Straight shot:** Starting this year you can shift money directly from a 401(k) account to a Roth IRA.

That can help you at retirement. Under the old rules, you had to move 401(k) money into a regular individual retirement account before converting it to a Roth IRA. That discouraged many people from taking action. It increased chances for a costly slip-up.

"Also, you aren't required to start withdrawals from a Roth after age 70 1/2," said CPA Ed Slott, who publishes Ed Slott's IRA Advisor newsletter. "You are with a traditional IRA. So a Roth lets funds keep growing tax-free longer. Any voluntary withdrawals you make will be tax-free. So will your heirs.' "

- **Moving up:** The cap for basic contributions to an IRA for 2008 is \$5,000. That's up from \$4,000 in 2007. You can still make your 2007 contribution until April 15. But your limit is \$4,000. The ceiling on catch-up contributions for anyone 50 or older remains \$1,000.

- **Come on in:** It is now easier for employers to automatically enroll workers in their 401(k) plans.

That will almost certainly help you or, say, any young family member who has put off joining a workplace 401(k) plan. How? The sooner a person signs up, the more time his account has to grow.

Now companies can tell employees they will be made plan members automatically — unless employees actively take steps to opt out.

The new rules also clear the way for firms to put auto-enrollees into life cycle or target-date mutual funds, balanced funds or managed accounts. Those historically grow faster than the money market and bond funds into which skittish plan members often put contributions.

Together, these changes should boost any auto-enrollee's account balance over time.

- **From the IRS:** The Internal Revenue Service recently said the 30-day wash-sale rule applies to IRAs. If you sell a stock from a taxable account and buy it back within 30 days in an IRA, you lose your right to ever claim the loss in your taxable account, Slott says. You will also be denied the right to increase your basis in the new stock. That can raise your taxes.

- **Giving:** If you were at least 70 1/2 years old, your charitable donations up to \$100,000 directly from an IRA were tax-free in 2007. They also counted toward your annual distribution requirement.

This year you must withdraw money from your retirement account, pay tax on it, then make your donation. Treated as part of your taxable income, that money could push you over income eligibility ceilings for numerous deductions.



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