

Dear friends who are over age 70 this year,

The Internal Revenue Service (IRS) requires your financial institute to notify you about Required Minimum Distributions (RMDs). RMDs are annual amounts that are calculated separately for each Traditional Individual Retirement Annuity (IRA) you own. You may withdraw RMDs, subject to contract limitations, from any combination of your IRA Traditional annuities and Traditional IRA accounts.

You are required to take the first RMD by Apr. 1st following the year you turn 70 1/2. In subsequent years you must take your RMD by Dec. 31st. If you do not take your first RMD in the year you turn 70 1/2 you must take two RMDs in the following year.

The Internal Revenue Service (IRS) may impose a 50% excise tax on Minimum Distribution amounts that are not taken by the appropriate deadline. IRS Publications 590 (IRA) and Publication 571 (TSA) offer additional information regarding the rules as they apply to your annuity contract.

Please consult a tax advisor regarding your obligation to take RMD amount from your IRA or Employee Pension (EP). If you would like additional information regarding RMDs , you may contact the IRS at 1-800-829-1040 or visit their website at <http://www.irs.gov>

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Subject: FYI: FBAR Requirements, etc.

Thanks to Kishor Dandekar for sharing the information

Hi,

refer to,

[http://www.irs.gov/irm/part8/irm\\_08-011-006.html#d0e68](http://www.irs.gov/irm/part8/irm_08-011-006.html#d0e68)

- - -according to this,

### **FBAR Overview**

1. The Financial Crimes Enforcement Network (FinCEN) delegated its enforcement authority to the IRS for penalties imposed under Title 31, Sections 5314 - 5321 for the failure to file FinCEN Form 114 , *Report Of Foreign Bank And Financial Accounts (FBAR)*. This delegation was effective April 8, 2003, by memorandum of agreement between FinCEN and IRS.
2. A United States person must file an FBAR (FinCEN Form 114, *Report of Foreign Bank and Financial Accounts*, ) if that person has a financial interest in or signature authority over any financial account(s) outside of the United States and the aggregate maximum

value of the account(s) exceeds \$10,000 at any time during the calendar year. Failure to file this form may result in civil and/or criminal penalties. The civil penalties may be appealed.

**Note:**

**Form TD F 90-22.1 is now obsolete as it was replaced with FinCEN Form 114.**

3. FinCEN has introduced new FinCEN Form 114a, *Record of Authorization to Electronically File FBARs*, for filers who submit Reports of Foreign Bank and Financial Accounts (FBARs) jointly with spouses, or wish to submit them via third-party preparers.
4. Effective July 1, 2013, filers must electronically file the FBAR through the FinCEN's BSA E-Filing System.
5. Filings can be researched on the FinCEN Query System (FCQ) or on Integrated Data Retrieval System (IDRS) using command code (cc): IRPTRO. Penalty cases, assessments and payments are recorded on a separate FBAR database maintained by the Enterprise Computing Center in Detroit (ECC).
6. Post-assessed FBAR cases in excess of \$100,000 cannot be compromised by Appeals without approval of Department of Justice (DOJ). See 31 USC § 3711(a)(2) and 31 CFR § 902.1(a) and (b). Once assessed, the penalty becomes a claim of the U.S. Government.
7. - - - - *-see more at the website*

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FOR IMMEDIATE RELEASE  
February 24, 2011

CONTACT: Steve Hudak  
703-905-3770

**FinCEN Issues Final Rule on**

**Foreign Bank and Financial Accounts Report (FBAR) Responsibilities**

VIENNA, Va. - The Financial Crimes Enforcement Network (FinCEN) today issued a [rule](#) that amends the Bank Secrecy Act (BSA) implementing regulations regarding the Report of Foreign Bank and Financial Accounts (FBAR). The FBAR filing requirements, authorized under one of the original provisions of the BSA, have been in place since 1972. **The FBAR form is used to report a financial interest in, or signature or other authority over, one or more financial accounts in foreign countries. No report is required if the aggregate value of the accounts does not exceed \$10,000.**

On February 26, 2010, FinCEN issued a Notice of Proposed Rulemaking (NPRM) addressing the FBAR rules. The final rule adopts the proposed changes with slight modifications. The preamble to the final rule explains FinCEN's approach to issues raised in comments submitted in response to the NPRM from tax professionals and industry experts. The preamble to the final rule:

- explains whether an account is foreign and therefore reportable as a foreign financial account and addresses the treatment of custodial accounts in this context;

- revises the definition of signature or other authority to more clearly apply to individuals who have the authority to control the disposition of assets in the account by direct communication (whether in writing or otherwise) to the foreign financial institution;
- explains that an officer or employee who files an FBAR because of signature or other authority over the foreign financial account of their employer is not expected to personally maintain the records of the foreign financial accounts of their employer; and
- advises filers that they may rely on provisions of this final rule in order to determine their filing obligation for FBARs in those cases where filing was properly deferred under prior Treasury guidance.

The rule as published in the Federal Register is available on [www.FinCEN.gov](http://www.FinCEN.gov). The IRS will soon publish instructions for completing the FBAR form.

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Forwarding the advice we received from Dr. B. Dixit on Adult Children & Your Money.

Thanks to Dr. Dixit.

Club55NJ

Subject: RE: **Adult Children and Your Money**

My advice, based on my experience, is:

(1) With the help of a Certified Elder Law Attorney prepare your first Will and Testament soon after you have a job and/or you get married and/or have your first child. It is important to provide all information about your assets and liabilities to the attorney. One should always prepare a financial statement every year at the time one files Federal Tax Returns.

(2) Most NRIs (permanent residents and US Citizens) have relatives back home and if one is thinking of allocating them some of your wealth make that information available to the attorney also. Similarly if you are interested in leaving a portion of your assets after your death to any charities in USA or in India please provide all details about such a plan in your will.

(3) If any of your children or your spouse is disadvantaged (physical or behavioral handicap) please make provision for him/her by setting up a Special Needs Trust (SNT). SNT is designed to permit financial resources to remain available to assist an individual with disabilities who receives, or may receive in the future, Medical Assistance (also known as Medicaid or MA) and/or Supplemental Security Income (SSI) benefits, and/or Mental Health and Intellectual Disability (MH/ID) benefits. Believe it or not, a significant number of NRI families have such handicapped children or spouses in USA. SNTs are available in all countries in some form.

(4) Make sure that you appoint or designate at least two guardians, who are US citizens, for your minor children in case both parents die or become incapacitated. In most cases guardians who are not US citizens are not acceptable.

(5) Different states have different rules and regulations about preparation of your Will and Testament. . Your Last Will and Testament will be customized for your state. But if you move to another State please check the requirements of that State and modify your will accordingly.

(6) Discuss with your attorney about designating executors of your will. If you have no trustworthy person that can be designated as an executor, professional executors can be appointed. Do not appoint a relative in India as an executor of your will.

(7) Revise your Will and Testament as your family changes and your children become older than 18.

(8) Consider preparing a "Living Trust" instead a Will and Testament if that suits your thinking. Living Trust avoids the process of Probate.

(9) Prepare a "Living Will" with designated persons with Power of Attorney. Each state has different formats and requirements for writing and implementing provisions of a Living Will. So if you change your residence from one State to another please revise your Living Will accordingly. The language used in your Living Will should be very clear otherwise implementation of the provisions of your Living Will becomes very difficult. These are just a few suggestions. Consult an experienced Elder Care Attorney before making any of these decisions. Unfortunately only about 25% NRIs have made their Wills and Testaments in USA.

(10) ***Just an interesting observation.*** Dhirubhai Ambani did not prepare a will and both of his sons, Mukesh and Anil) are still fighting in court about how the assets they inherited should be divided. Balasaheb Thackeray prepared a will but gave everything to Uddhav but nothing to his brother. The will is being contested in court. Bhimsen Joshi did not prepare a will. Now his TWO or THREE wives are fighting in court about who should get what. ....Balwant Dixit

**Balwant N. Dixit, Ph. D.**

Professor of Pharmacology (Emeritus)

608 Ravencrest Road

Pittsburgh, PA 15215, USA

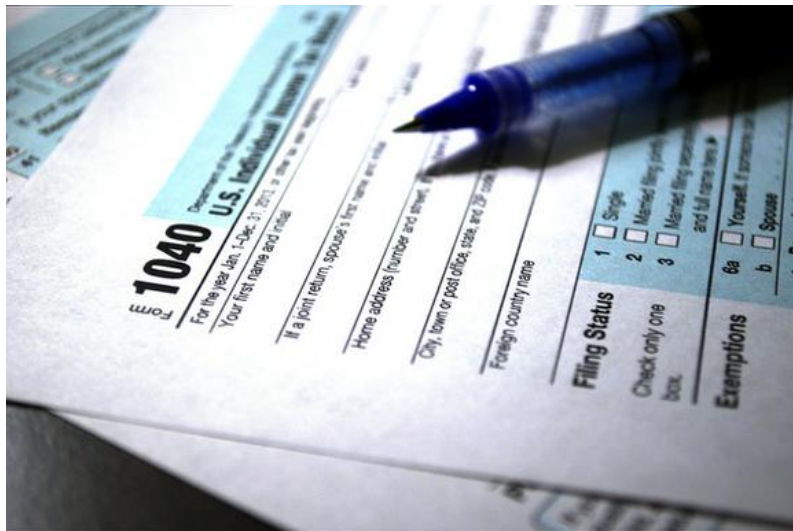
(412) 963 8023 (voice)

Email: ([bdixit@pitt.edu](mailto:bdixit@pitt.edu))

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**Subject: 1 Tax Move Most Retirees Must Make by Dec. 31**

## 1 Tax Move Most Retirees Must Make by Dec. 31 or Pay a 50% Penalty



Most people know they have until April 15, 2015 to contribute to an IRA for tax year 2014. However, people who are at 70-1/2 years old and up -- that is, those who were born before July 1, 1944 -- must take their required minimum distributions from their retirement accounts by Dec. 31, 2014 (that's tomorrow!). If you miss this deadline, you incur a penalty of 50% of the distribution you were supposed to take.

### **Required minimum distributions**

Most retirement accounts are tax-deferred, meaning that you don't pay taxes on your gains, but you *do* pay income tax on your withdrawals when you take the money out. Required minimum distributions, or RMDs, essentially allow the government to budget how much tax money it will receive from people taking money out of their retirement accounts.

RMDs apply to all employer-sponsored retirement plans, including profit-sharing plans, 401(k)s, Roth 401(k)s, 403(b)s, and 457(b)s. RMDs also apply to traditional IRAs as well as SEP IRAs, SARSEP IRAs, and SIMPLE IRAs.

**The exception to Dec. 31** If you turned 70-1/2 this year -- that is, if your birthday is between June 30, 1943 and July 1, 1944 -- you have until April 1, 2015 to take the RMD. In all subsequent years, you must take your RMD by Dec. 31.

### **The exceptions for IRAs**

There are no minimum distribution requirements for Roth IRAs, as you will have already paid taxes on your contributions.

## The exceptions for 401(k)s

Unlike Roth IRAs, Roth 401(k)s *do* have RMDs. You do not have to take RMDs from a 401(k) if you are still working and contributing to your 401(k), even if you're over 70-1/2 years old. However, you must take a required minimum distribution if you are at least a 5% owner of the business.

### Calculating your required minimum distribution

To calculate your RMD, you need the account balance as of Dec. 31 of the previous year.

If you are the beneficiary of someone else's retirement plan, or if your spouse is more than 10 years younger than you and is the sole beneficiary, then special rules apply. [Read more here.](#)

Most people can simply divide the account balance by the distribution period, which can be found on the IRS' [required minimum distribution worksheet](#):

Age	Distribution Period	Age	Distribution Period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and over	1.9

Source: IRS.

For example, if you are 80 and have \$100,000 in a traditional IRA, using the table above we see that the distribution period is 18.7. This means you are required to take \$5,347.59 ( $\$100,000/18.7$ ) out of your retirement account.

Those with multiple retirement accounts must do the calculation individually for each account. However, you do not need to take the required minimum from each account proportionally. For example, let us say you are 80 years old and have three retirement accounts with respective balances of \$70,000, \$20,000, and \$10,000, for a total of \$100,000. You can simply take \$5,347.59 out of one of the accounts, rather than taking a proportional amount out of each.

### **What happens if you miss your required minimum distribution**

If you miss the deadline for taking an RMD, the penalty is a severe 50% on the amount of the distribution you were supposed to take. So, using the same example as above, if you missed the Dec. 31 deadline to take your RMD, you would owe a tax penalty of \$2,673.80. Make sure you don't miss that distribution.

### **Educate yourself on taxes to keep more of your money**

As Mitt Romney famously (or infamously, depending on whom you ask) said: "I pay all the taxes owed. And not a penny more." Whatever your political leanings, those are wise words to live by. While the tax code contains some stiff penalties for not following the rules, it also contains multiple ways to lower what you owe the government. Be sure you don't end up paying more than what you should really owe.

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### **What should you tell your adult children about your money ?**

What should you tell your adult children about your money ? Some people think it is none of the children's business. A few tell all. Most of us are probably somewhere in the middle. It is important to have "the talk" financial planners say.

If you can not bring yourself to discuss their shares in person, at least leave a thoughtful, explanatory letter so that the siblings won't start blaming each other for secretly currying your favor. Tell them too, if one of your children has power of attorney or is the executor of your will. "They should hear this from the parents" Wealth Management say. If they learn only after your death, they might think that Mom and Dad loved one kid over another.

It becomes more important to talk to the children as you get older. You might become ill or incapacitated and need help with your finances. Children also might wonder and worry, about

whether you have enough income and savings to last for life. If so, it is a kindness to let them know that you'll be OK.

Get Organized :

You do not want your family scrambling to find documents during an emergency. Help by putting these items in a safe place where loved ones can find them.

1. Inventory your ASSETS and their location. Include the name of your doctor, accountant, insurance agent and financial adviser.
2. Make a list of PASSWORDS for your computer, mobile devices and accounts.
3. Compile a list of the MEDICATIONS you take.
4. Prepare an ADVANCE DIRECTIVE, which often consists of two parts : a power of attorney that names someone to make medical and financial decisions for you if you are incapacitated, and a living will that details the life-sustaining measures you want if you are unlikely to recover.

Do not put a WILL or ADVANCE DIRECTIVE solely in a safe-deposit box, where family members might not have access to it. Give copies to trusted relatives.

SOURCE: AARP Bulletin

## **Long Term Care Insurance**

Dear All,

Following are thoughts we received from some of our group members on Long Term Care Insurance.

Hi Nanda,

Here are my thoughts -

1. It is a very expensive Insurance Coverage to buy. I was quoted a price of some \$8,000 per year when I was 50. I have to keep paying it till I die. Considering a life expectancy of 75, I would pay \$200,000 towards Insurance even if I do not use a penny out of it. For a couple, that would be around \$300,000 to \$350,000 considering some discount.
2. It covers around \$400,000 to \$500,000. That means it will protect your assets to that extent if you need Long Term Care.
3. Chances of Both the partners needing LTC are slim. That means, you are paying \$350,000 to cover \$450,000 expense. And again, no one of you may need it.



Therefore, In my opinion, it is just a waste. If you need LTC, then consider it as your bad luck and pay for it out of pocket. Insurance agent will always scare you and explain you how it protects your assets!!!

Regards,  
Rajiv Pendse

Nanda, hereis my opinion : If your liquid worth is greater than \$1 million, you will be better off by being self-insured, i.e. not buying Long Term Care Insurance. Some policies provide maximum lifetime benefits of 250K to 350K. These amounts can be safely covered if your liquid net worth is over \$1 MM. This will also avoid Frustrations associated with (occasional / frequent ) non-payment of benefits by insurance companies.

Regards,  
Uday Gogate

One must consider personal financial situation as well as health status of each individual. If non-home assets are above about \$700,000, a couple can self-fund most nursing home stays without depleting assets. It is those whose wealth ranges from about \$150,000 to \$700,000 who have the greatest need for conventional long-term care insurance.

Koparkar

I thought it is necessary. It is up to individual.  
It is needed when a person gets older-bedridden,nursing home bound,long term sickness etc. It can wipe out your savings.  
Get a good agent/company, see if they can put death benefit, the way to cash unused portion for the person who is left behind etc.  
That is life.

Surekha Khedekar

BMM vritta published 3 parts articles on LTCI written by Ashok Amberdkar.

Please go on bmm online site & you will find in BMM vritta.

Vidya Hardikar Sapre

Vijay Pathare, Avinash Agate & Nitin Ashtekar also given some suggestions.

Thanks for sharing the thoughts.

Warm Regards,  
Club55NJ

Note : Consult your Financial/Tax/Insurance lawyer or agent before taking any decision.

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Regarding **Estate planning/Trusts/Wills** etc--  
Professional Charges varies... \$2,500 to \$5000 & up

MOR IMP--Make sure you have info. ready regarding your assets,how you would want to distribute them after both of you,  
Names of people,organization,in case of organization you should have their Tax IDs,FCRA #s for foreign charitable organizations  
(There are some organizations here who will help you),name a trustee etc

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## Your Money

Easier Home Office Deductions are Coming :

Starting with this year's taxes - to be filed in 2014 - taxpayers will have the option of claiming a flat \$5 per square foot for a home office , up to 300 square feet. The form for claiming the deduction - which is capped at \$1,500 per year - will be significantly simplified. the IRS says.Under the new rules, home owners can not depreciate the portion of the home used for a trade or business, but they can claim allowable mortgage interest, real estate taxes and casualty losses as itemized deductions.

The New York Times News.

How To Qualify for Tax Deductions on Medical Expenses :

Starting this year , most people can deduct medical expenses on federal income taxes only to the extent that the expenses exceed 10% of their adjusted gross income, up from a threshold of 7.5% in prior years. But there are rules that may help you qualify. If either you or your spouse will be 65 Or older as of December 31, 2013, the higher threshold will not affect you until 2017. If not, you can try to shift some medical expenses - such as new eyeglasses and dental work - to maximize the total amount in a given year while minimizing it in the next year. If you pay medical expenses for a parent who is your dependent you can add those medical expenses to your own for itemized deduction purposes. Medical premiums you pay for long-term care count as medical costs.

Marketwatch.com

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**How long you should keep documents?**

### 1 YEAR

Copies (misc.)  
Correspondence (routine) with customers or vendors  
Duplicate deposit slips  
Stenographer's notebooks

### 3 YEARS

Appointment books  
Correspondence (general) with customers or vendors  
Employee personnel records (after termination)  
Insurance policies (expired)  
Internal reports (misc.)  
Petty cash vouchers

### 5 YEARS

Invoices to customers  
Invoices from vendors  
Loan documents  
Notes receivable ledgers and schedules  
Purchase orders

### 7 YEARS

Accident reports and claims (settled)  
Accounts payable ledgers and schedules  
Accounts receivable ledgers and schedules  
Bank statements  
Brokerage statements  
Cancelled checks (misc.)  
Employee expense reports  
Employee payroll records  
Inventory of products, materials and supplies  
Safety records  
Sales records  
Scrap and salvage records  
Stock and bond certificates (cancelled)  
Subsidiary ledgers  
Time cards and daily reports  
Voucher register and schedules  
Voucher for payments made



### PERMANENTLY

Adoption papers  
Articles of incorporation  
Audit reports of accountants  
Birth certificates  
Bylaws  
Capital stock and bond records  
Cancelled checks (important payments)  
Cash books  
Charts of accounts  
Citizenship papers  
Contracts and leases (expired)  
Contracts and leases (existing)



**PERMANENTLY**

- Copyright, patent and trademark registration
- Death certificates
- Deeds, mortgages and bills of sale
- Depreciation schedules
- Divorce decrees, alimony and child custody agreements
- Financial statements



**PERMANENTLY**

- General and private ledgers
- Insurance records (existing)
- Internal audit reports
- Journals
- Military records
- Minute books
- Property appraisals and records
- Retirement plan information (IRA, 401(k), etc.)
- Savings bond registration
- Tax returns
- Training manuals
- Union agreements
- W-2/s/proof of income

