

## GCU IRA Annuities

On June 7, 2001 President Bush signed the Economic Growth and Tax Relief Reconciliation Act of 2001 (H.R. 1836). This new law (now Public Law 107-16) has revised several areas of the tax code which will affect nearly all GCU members. The new law has made major changes in 4 areas:

- 1) Federal Income Taxes
- 2) Retirement Planning and Qualified Plans
- 3) Estate Planning and the Estate Tax System
- 4) Educational Planning

Traditional and Roth IRA's have maximum contributions for the tax year 2008 and after = \$5,000

Cost of living increases are provided in the above amounts beginning in tax year 2009 but only in whole multiples of \$500.

A new catch up provision has also been added for taxpayers **age 50 and above**. This provision will allow individuals to contribute an **extra \$500** to either Traditional or ROTH IRA's for tax years 2002 thru 2005. The extra amount rises to \$1,000 in 2006.

The new tax law did not change the income limits for determining the deductibility of Traditional IRA contributions. The same test must be made to determine if you and/or your spouse qualify for a deductible IRA.

The good news continues to those who have 401K type pension plans at your place of employment. Maximum contributions to 401K plans are also increasing in tax year 2002. The contribution limit will be \$11,000 in 2002. It will then increase by \$1,000 annually until reaching \$15,000 in 2006. The new law also contains a catch up provision for individuals age 50 and above. These individuals will be allowed to contribute an extra \$1,000 in tax year 2002. This catch up amount increases annually by \$1,000 until reaching \$5,000 in 2006. This means that if you have attained at least age 50 by tax year 2006, your maximum 401K contribution will be \$20,000.

The final retirement planning provision of the new tax law provides for pension portability. This means full rollovers can now be done between almost any two retirement plans. For example: Section 457 and 403b plans may now be rolled over to IRA's and other qualified retirement plans.

It is evident that our legislators have finally realized that the pressure of retirement must be taken off our Social Security System and that it is important to downplay its role in one's planning for retirement. We at the GCU have always maintained that wise retirement planning would utilize vehicles such as annuities and IRA's to provide supplemental retirement benefits. The new tax laws will help to make this type of savings more meaningful.

5400 Tuscarawas Road

**GCU**...for Life

Contact Us

Beaver, PA 15009

1-800-722-4428

www.gcuusa.com