What's Up With PARC?

By Jean McDanal

The Kayak for the Warriors Angel Tree has been available since November 2 at town hall. Remember that this tree supports the families of wounded warriors, and that all families have been fully vetted by Hope For The Warriors caseworkers. If you would still like to donate money for things like bikes, please make checks out to Pine Knoll Shores Kayak for the Warriors, with the words "Angel Tree" in the memo line, and bring it to town hall. All items purchased need to be returned to town hall unwrapped by December 2 along with wrapping paper. If you would like to help wrap or need more information, please call BJ Peter at 646-8079 or Teresa Stanton-Law at 659-2576.

The Christmas Flotilla will be held at McNeill Park on Saturday, December 3, with the best viewing around 5:30 p.m. Boats will meet at 5:15 at Brock Basin. It is rumored that Santa will arrive. Please call John Clarke at 515-0887 (cell) or 499-9670 (home) for more information.

The town's volunteer Christmas party is Friday, December 9, at town hall. If you have volunteered for the town in any capacity this year, you and your spouse or significant other are invited to partake of good food and Christmas cheer. Please let Sarah Williams know if you plan to attend by emailing her at swilliams@townofpks.com.

The fifth annual Pine Knoll Shores Christmas Carol Sing is planned for Tuesday, December 13, beginning at Garner Park at 4:45 p.m. Those who came out last year had a great time, and the folks visited clearly appreciated it. Every effort is made to go to the homes of shut-ins or those who live alone. This is an informal gathering and guests and children are welcomed. One need not have a good voice, just a good heart. Christmas music handouts will be available. Wear antlers or Santa hats, bring bells and dress in your holiday fun outfit; but if it is cold, dress warmly. Also, please bring a flashlight. To submit the name of someone who would enjoy a visit from the carolers, or for more information, contact Kathy Tilyard at katcoast@gmail.com or at 247-7221 or Susan Toms at witoms@hotmail.com.

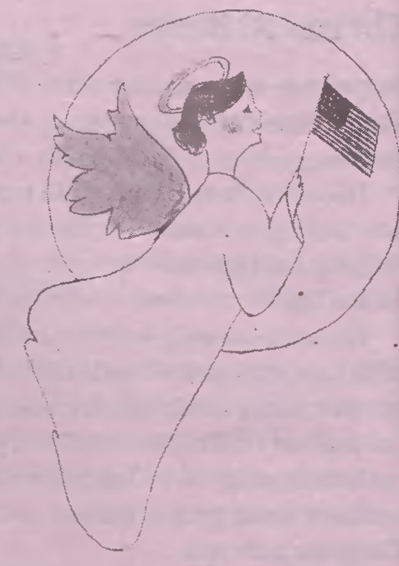

Illustration by Pat Warnke

Our final activity for the year is the Christmas Parade, which will be held on Saturday, December 17. The format will be similar to the Fourth of July parade. Bring family and friends (furry or otherwise) to Garner Park at 11 a.m. and dress in your Christmas finery. Hot chocolate and cookies will be served at Garner Park following the parade. For more information, please contact Susan Toms at witoms@hotmail.com or 222-0497.

The Parks and Recreation Committee welcomes any suggestions for activities that will get people out, moving and involved. If you have any suggestions for PARC, please email PARCPR@ec.rr.com or come to one of our meetings. The next meeting is Tuesday, December 13, at 9 a.m. at town hall.

We also want to wish everyone a very Merry Christmas, Happy Hanukkah, Happy Kwanzaa, Happy Holidays and a most joyous New Year.

The Independent Investor

By Bill Schmick

How to mess up an inherited IRA

Whoopee, your great aunt died and left you her Individual Retirement Account (IRA). The first thing you want to do is cash the check and take the family out to dinner. Wrong. The first thing you should do is read the rest of this column.

An inherited IRA can be tricky. It requires some knowledge of estate, financial and tax planning. If you are not familiar with any of the above concepts, contact a financial advisor. You see, one wrong decision can have expensive consequences. For most people, the worst thing you can do is cash out the plan *before* seeing an advisor.

Know this: the money in an inherited IRA must be taken out eventually. How much and how soon depends on a number of variables. The best case scenario tax-wise (and probably worst emotionally) is that you have inherited an IRA from your deceased spouse. In this case, there are no tax consequences and you are not required by the IRS to withdraw taxable distributions until you reach the age of 70½.

But let's say that you are not a spouse and the money came from your great aunt. You have two options:

You can choose to take distributions over your life expectancy. It is called the "stretch" option and would allow the remaining funds in the IRA to grow tax-free for as long as possible. Each year the required distribution, which is computed based on a life expectancy table generated by the IRS, is taxable at your current income tax bracket.

The second option is to liquidate the account within five years of the original owner's death. That means that if the IRA is worth $100,000 when you received it, you can take it all out whenever you want. There are two negatives to that strategy. You could pay a whopping tax bill on the distribution, and you would also forfeit the option of allowing the money in the IRA to continue to grow on a tax-free basis. If you are careful and invest wisely, you could see your inherited IRA continue to grow. Conceivably, that IRA could be inherited by your decedents when you pass. By the way, children of the deceased are subject to the same rules as anyone else. Only a spouse is exempted.

"What if the inherited IRA is a Roth?" you might ask. Since a Roth IRA is funded with after-tax contributions, distributions from an inherited Roth IRA are tax-free unless the account was established less than five years before his/her death. In that case, the earnings generated from contributions may be taxable. A spouse will never be required to take a distribution from an inherited Roth.

There are a few quirks, however, that you should understand. A Roth and a traditional IRA are different animals as far as the IRS is concerned. You can't merge the two. As a spouse, you can roll your spousal inherited IRA into your own, and you are only required to take a minimum required distribution (MRD) on the total at age 70½. If you are a non-spouse, you can't merge an inherited IRA with an existing IRA that you own, nor can you merge an inherited Roth with your own Roth.

And before you automatically leave your IRAs to the beneficiaries of your choice, consider that leaving an IRA to an older individual doesn't get them much. If the beneficiary is closer to retirement age, or even older, they will be required to withdraw money far sooner than your grandchild, for example.

You might also have a beneficiary who goes through money as if it were water. For those spendthrifts, a $100,000 inherited IRA is an invitation to disaster. They will spend the money first and worry about the taxes later—when they are broke.

Although it sounds intelligent, naming your estate as the beneficiary of your IRA may not be wise either. You could potentially lose creditor protection of the IRA, forcing your beneficiaries to only take the five-year withdrawal rule while increasing legal and accounting fees. It could also increase the time and complexity of your probate estate.

But whatever you do, don't procrastinate; the clock is also ticking once you inherit an IRA. In order to choose the stretch option, you must take your first distribution no later than December 31 of the calendar year following the year that the decedent died. If you fail to take that first distribution by then, you will be required to take the five-year option.

Remember, also, that if you forget to take your MRD each year, the IRS will penalize you by taking half of it every year that you don't. The moral of this tale is to enjoy your inheritance, but do so wisely.

Bill Schmick is registered as an investment advisor representative and portfolio manager with Berkshire Money Management (BMM), managing over $200 million for investors in the Berkshires. Bill's forecasts and opinions are purely his own and do not necessarily represent the views of BMM, and none of his commentary is or should be considered investment advice. Direct your inquiries to Bill at 1-888-232-6072 or Bill@afewdollarsmore.com. Visit www.afewdollarsmore.com for more of Bill's insights.