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### **DEADLINES ARE APPROACHING**

*April is nearly here. Keep your IRA in mind.*

Provided by Frank DeMaio

Many of us associate April with taxes. We should also associate it with IRAs, for April is the month with the deadlines for IRA contributions and mandatory IRA withdrawals.

**The deadline for your 2010 IRA contribution is April 18, 2011.** Yes, April 18. This year, April 15 falls on a holiday in the District of Columbia (Emancipation Day). So you get a little extra time to make your 2010 contribution if you (still) haven't done so.<sup>1</sup>

For tax years 2010 and 2011, you can contribute up to \$5,000 to your IRA. If you have multiple IRAs, you can contribute up to a total of \$5,000 across the various accounts. (If you earn a lot of money, your maximum contribution to a Roth IRA may be reduced because of MAGI phase-outs.)<sup>2</sup>

If you turned 50 in 2010, your IRA contribution limit for 2010 is \$6,000. If you will celebrate your 50th birthday during 2011, your 2011 contribution limit is \$6,000.<sup>2,3</sup>

You get 15½ months to make your IRA contribution for a given tax year. You can make your 2011 IRA contribution at any time until April 15, 2012.<sup>3</sup>

Have you already made your IRA contributions for 2010 and/or 2011? Good for you. Hopefully, you contribute the maximum annually and make your contribution at the start of the year. The earlier that money is invested, the longer it can work for you.

**Be sure to indicate the year of the IRA contribution on the check.** This seems pretty basic, yet is too often overlooked. Write "2010 IRA contribution" or "2011 IRA contribution" or something equally simple and clear on your check (and include your account number on the check to help your IRA custodian). If you're making your contribution electronically, be sure this gets communicated.

If you don't tell your IRA custodian what year the contribution is for, it will be accepted as an IRA contribution for the current year per IRS guidelines.<sup>1</sup>

**Avoid racing against the clock.** If you wait until the last minute, you may feel safe mailing your 2010 IRA contribution check to your IRA custodian with an April 18, 2011 postmark. That feeling might be unwarranted. Postmark deadlines for prior-year contributions vary among IRA custodians, and sometimes checks that arrive after the deadline count as current-year contributions regardless of postmark. Why not save yourself the risk and mail your 2010 contribution in with plenty of time to spare? <sup>1</sup>

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**The recharacterization deadline for Roth IRA conversions is April 18.** If you converted a traditional IRA to a Roth IRA last year and need to undo it for tax purposes, April 18 is the deadline to “recharacterize” the Roth account. If you need to do this, please request a recharacterization with your IRA custodian well before April 18. If needed, you can file for an extension on this, which will give you until October 17, 2011 to accomplish your objective.<sup>4</sup>

**The RMD deadline is April 1.** If you turned 70½ in 2010, you have until April 1 of this year to take your first Required Minimum Distribution from your traditional IRA - that is, your first mandatory income withdrawal. Your IRA custodian should have notified you of this deadline at the end of January, and many IRA custodians have online calculators or similar tools that will help you figure out the RMD amount. Many IRA owners just let their account custodians calculate the annual RMD for them. Of course, if you have a Roth IRA, you aren’t ever required to take an RMD and you can still keep contributing to it after age 70½.<sup>5</sup>

Keep the deadlines in mind - April will be here before you know it.

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#### **Citations.**

- 1 - [boston.com/business/personalfinance/managingyourmoney/archives/2011/03/its\\_crunch\\_seas.html](http://boston.com/business/personalfinance/managingyourmoney/archives/2011/03/its_crunch_seas.html) [3/10/11]
- 2 - [irs.gov/retirement/participant/article/0,,id=188232,00.html](http://irs.gov/retirement/participant/article/0,,id=188232,00.html) [11/1/10]
- 3 - [irs.gov/retirement/article/0,,id=202510,00.html](http://irs.gov/retirement/article/0,,id=202510,00.html) [11/1/10]
- 4 - [kiplinger.com/features/archives/maximize-your-tax-refund.html](http://kiplinger.com/features/archives/maximize-your-tax-refund.html) [3/7/11]
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- 6 - [montoyaregistry.com/Financial-Market.aspx?financial-market=do-you-have-a-plan-for-your-ira-distributions&category=1](http://montoyaregistry.com/Financial-Market.aspx?financial-market=do-you-have-a-plan-for-your-ira-distributions&category=1) [3/13/11]