Did you know?
By: Olga Mojica

During my two years at Netting & Pace, I have been frequently asked about investment accounts and how they are administered. Here are three topics that concern our clients.

Joint Accounts

Three types of joint account registrations can be used for an investment account.

1. Joint Tenants with Rights of Survivorship (JTWROS) registration means that on the death of either party, the value of the account is inherited by the surviving joint tenant(s) irrespective of what the decedent's will says. We usually advise against this styling because the will should govern asset disposition.

2. Tenants in Common (TIC) registration allows each party to own a specified portion of the account and on the death of either party, the decedent's portion will be distributed to his/her estate and be governed by the will.

3. Community Property registration dictates that ownership will be governed by applicable state law. Texas is a community property state.

Required Minimum Distribution

1. When an individual reaches the age of 70-½, he or she must begin receiving a required minimum distribution (RMD) from his or her IRA account. The prior year-end fair market value of the retirement account times a life expectancy rate provided by the IRS equals the RMD.
2. Example: If a taxpayer becomes 71-years-old in 2007 and her IRA balance was $100,000 on December 31, 2006, and her IRS life expectancy is 16.3 years, then she must take 6.1% from her IRA, or $6,135.

Management Fees

1. Investment management fees are deductible if taken from a taxable account.
2. They are not deductible if they are taken from an IRA.
3. So, we recommend they be taken from non-IRA accounts whenever possible even if the fees apply to an IRA account.