

Question of the Month

“Hello, Pat. Recently on your radio show, you mentioned something about special favorable tax treatment for employer stock held in a retirement plan. I am retiring this year at the age of 67, and part of the investments inside my 401(k) plan is employer stock. Can you explain what this special tax treatment is and how I can take advantage of it? Thank you. Larry”

Hi Larry! Congratulations on your upcoming retirement! Yours is a very good question on a tremendously valuable, but little-known, tax strategy. What you are asking about is called Net Unrealized Appreciation, or NUA for short. NUA is a favorable tax treatment offered by IRC 402 on employer securities

Retirement & Estate Planning



Patrick J. Couture
IAR, Investment Advisor
Representative,
Radio Talk Show Host
www.KeyStoneCV.com

for lump-sum distributions from qualified plans. Basically, it allows you to pay tax on the growth portion of the company stock at capital gains rates instead of ordinary

income tax rates, which is how the rest of the money in your 401k plan will be taxed. And since long term capital gains tax rates are much lower than ordinary income rates right now for many people, this can be a huge tax savings move.

To accomplish this, however, you must follow specific rules and guidelines. Unfortunately, I don't have enough space in this article to get into the specific steps to accomplish this, or the moves not to make that could ruin this benefit. But, if you do learn the specifics of this benefit and do it properly, Larry, this could be a wonderful gift to kick start your retirement.

To learn more on this strategy and all the specifics steps to follow to take advantage of it, as well as answers to many more specific questions that we have received recently, tune into the **It's Your Money Show** next week. The show airs on WMEQ (880 AM) on Thursday at 7:30am and Saturday at 9:00am, as well as on WWIB (103.7 FM) on Wednesday at 7:30pm and Saturday at 5:30pm. You can also obtain this information and independent advice for your specific situation by contacting me at **(715) 835-6022** or info@KeyStoneCV.com, or through our website, **www.KeyStoneCV.com**.