

New Supreme Court ruling bars creditors from IRA assets

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The Supreme Court recently handed down a unanimous decision that will affect millions of Americans who have an Individual Retirement Account (IRA).

IRAs allow most investors to contribute up to \$4,000 to a fund annually that is tax-deferred until withdrawal. This decision protects IRA assets in bankruptcy from creditor claims to the extent the assets are reasonably needed for the owner's support needs. This is even more important this year with the \$1,000 increase that the federal government will allow individuals to contribute to an IRA - during the tax year of

2004 the maximum contribution to an IRA was \$3,000.

Up until the beginning of April, IRAs in some states had limited creditor protection under federal law. Instead, depending on what state you resided in, creditors in some states could get their hands on your IRA assets to pay off the debt owed to them.

In California, state law allowed the California bankruptcy court decide how much of your IRA could be used to repay creditors. The Supreme Court's unanimous decision overrides states and lower courts rulings and sets a uniform nationwide standard.

IRAs are a source of retirement savings available to everyone, but are especially crucial for the self-

employed, small business owners, workers without company plans and older individuals who have rolled over distributions from former employers.

This law will impact the different population segments in different ways. The new ruling will help the self-employed and small business owners. For small businesses that are in high-risk financial positions, they can now put money into their IRA without worrying that it will all be taken in case of emergency, like bankruptcy.

This ruling will give older Americans the upper hand in making their money last through their retirement years. With more money in your retirement

account you will be better prepared for your golden years, and less likely to "outlive your money."

But one thing is certain for everyone - the ruling should encourage people to make regular IRA contributions because now their money will be better protected, even in the unfortunate situation of filing for bankruptcy.

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