New tax laws create different IRA

Special to Sentinel-Voice

For years it has been said that once you put money into an IRA, you cannot touch it, without a 10 percent penalty, until age 59-1/2.

Well, that idea has partially changed, thanks to new tax laws that create a new type of IRA and also help the regular IRA become more tax-friendly. These new laws may also help you do more with the money you save.

Here's a breakdown of your IRA choices and how you can potentially benefit:

• **ROTH IRA PLUS.** Starting in 1998 and named after Senate Finance Committee Chairman William Roth (R-Del.), the Roth IRA Plus differs from a regular IRA in many ways.

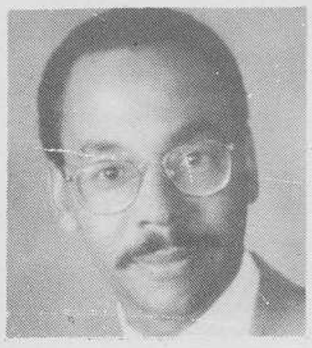
Roth IRA Plus contributions are not tax-deductible; however, earnings on your Roth IRA Plus investments grow tax-deferred — and can be tax-free if you follow the rules. Your contributions must remain in the Roth IRA Plus account for at least five years and you must be 59-1/2 years old. (Tax-free withdrawals are also allowed for special purposes, such as buying your first home (up to $10,000), and you may also withdraw up to your original contribution amount at any time with no IRS penalty tax).

The maximum annual contribution allowed to your Roth IRA Plus is $2,000 and you may not contribute more than $2,000 to any combination of your regular IRA and/or your Roth IRA Plus. Eligible participants for a Roth IRA Plus must not have annual adjusted gross income exceeding $150,000 for married couples or $95,000 for individuals.

Though these benefits may help some investors with other financial needs, those of you who still plan to use your IRA as a retirement-saving's vehicle may find the Roth IRA very beneficial, depending on the performance of your investments. This could mean a tremendous benefit in helping you reach your retirement planning goals.

How much can you benefit? Consider the following scenario: Let's say you are in the 28 percent federal tax bracket and make

Financial Report



By Fred T. Snyder

your $2,000 maximum annual Roth investments average a 10 percent annual return. Your account can grow to about $216,364. This is just an example and does not reflect any specific investment's performance.

In a regular IRA, any withdrawals made after age 59-1/2 would be taxed at 28 percent.

In a Roth IRA Plus, however, those withdrawals will be tax-free, allowing you to stretch out your retirement money for a longer time, and, unlike a regular IRA, you do not have to take mandatory withdrawals from your Roth IRA Plus at age 70-1/2.

• **Regular IRA.** Your regular IRA was also a winner in this new tax bill. The new laws will gradually increase the annual adjustable gross income limits for individuals and married couples eligible to make tax-deductible IRA contributions.

Starting in 1998, the annual income limits will progressively rise to $50,000 for individuals by 2005 and $80,000 for married couples by 2007. Your contributions will grow tax-deferred until you start making withdrawals that will then be taxed as ordinary income if you are at least 59-1/2.

No matter what your particular situation. You should see an increased advantage in using one or more IRA-type accounts. Your investment professional and tax adviser can provide you more details on how flexible these tax-deferred accounts can be for your needs.

Real Estate Perspective

By Loretta Arrington Hall

Mortgage companies: Show me the money

Special to Sentinel-Voice

You have made the decision to purchase a home, more than likely you will have to apply for some sort of financing from a lending institution.

Banks and mortgage lenders will scrutinize every facet of your expenses to judge just how much of a mortgage you can handle. They want you to show them the money and a history of good credit, to prove you can make the monthly mortgage payments.

Smart first moves toward home ownership do not begin with a trip to the real estate agent, but a trip through your checkbook for a hard look at your finances.

How much can you afford to pay? Have you been paying your bills on time? Are you carrying large credit card balances? Are you struggling to make car payments? Have you seen a copy of your credit report lately? And if you are married, does your partner's credit history directly affect yours?

The method the financial institutions use to determine your credit worthiness is the infamous debt-ratio formula. This amounts to a monthly ratio of what you owe on outstanding bills in addition to the debt you will incur through your new home, divided by your gross monthly income.

Most lenders aim for a 28/36 debt ration.

Translated, that means not more than 28 percent of your gross monthly income should be devoted to housing costs, and that all your other monthly expenses should total no more than 36 percent of your monthly income.

It is all about the numbers, and as you can see it is very important to have a good financial picture before seeking a mortgage loan. Mortgage companies want to make sure you are financially able and credit worthy before granting you a mortgage loan — bottom line!

As always, please contact a professional for all your real estate needs or write c/o Real Estate Perspective, Las Vegas Sentinel-Voice newspaper, 900 East Charleston Boulevard, Las Vegas, Nevada 89104.