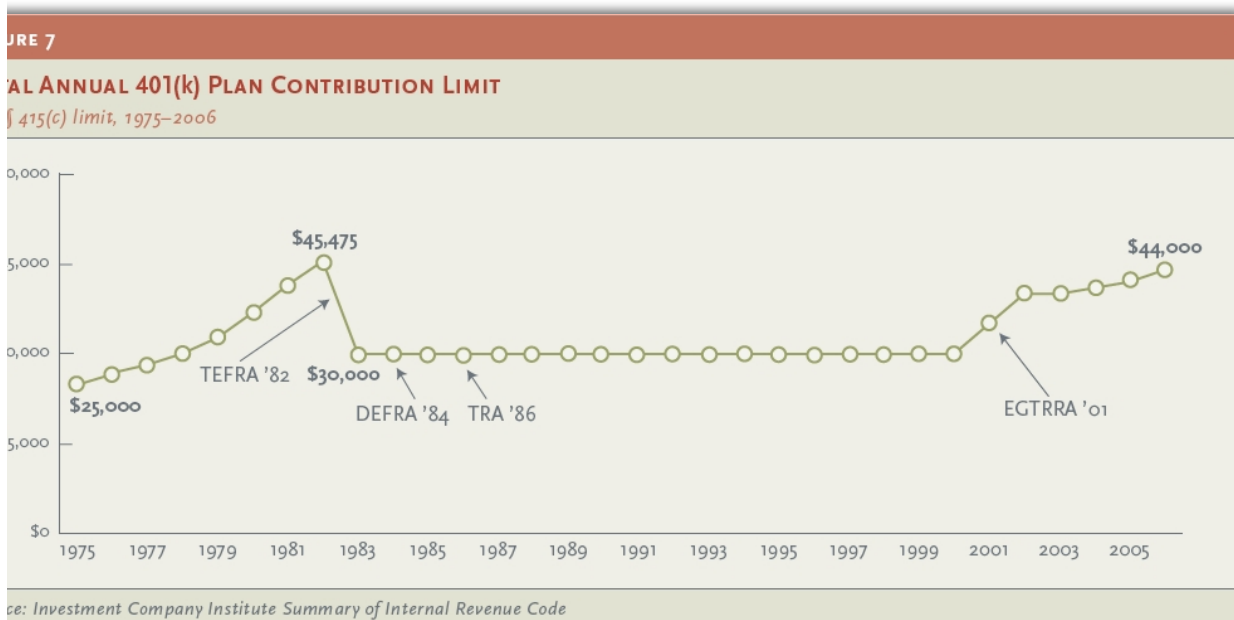


Democrats know something is wrong. How did Romney amass \$100M in his IRA? Republicans will do what they can to divert attention away from from this issue. Among them, nominating a pathological liar for VP. Does not knowing your correct marathon time disqualify you from elected office? Hardly. But, any runner will tell you, your marathon race times aren't something you mis-remember. But I digress.

\$100 million dollars. Most of us can imagine a successful business man accumulating such sums over time. You see billionaires in the news on a daily basis. But how in the world did Romney get this much money into his (or his wife's) IRA? Fair to say we should start by assuming it was the product of a well invested 401(k), as the deposit limits are far higher than for IRAs. Let's see how high:



This chart shows the total deposit limit for 401(k) accounts. It's the combined limit for both the employer and employee deposits, and you can see that for most of the 30 year period shown the limit was \$30K. For the back of envelope math, it's close enough to say that even 40 years of deposits would not have been much over \$1.5 million.

Next, a minor tangent, a brief discussion of an article I read titled [No Time Limit on Excise Tax on Abusive Roth IRA](#). The situation involves an MIT graduate, implying some level of intelligence, and a process by which he'd fund a Roth IRA with a mere \$2000, pay Grant Thornton a hefty \$120,000 and stand back as they transfer the wealth of his \$1.4M Traditional IRA to the Roth IRA via two Nevada Corporations whose sole function it seemed was to be shells in the game you often see in cities on little card tables.

What does this have to do with Romney? Perhaps nothing. Perhaps he used a similar scheme to inflate money in one account to stuff funds into his 401(k).

What's more likely is something a bit more sinister, in my opinion. There are rules regarding what one can invest in their retirement account and more important, what's prohibited.

Prohibited transactions include certain leveraged investments as well as transactions which are considered “self-dealing.” There is a rule regarding UBIT (**Unrelated Business Income Tax**) which applies to certain investments within an IRA. The New York Times referred to **Mr. Romney’s Financial Black Hole**, and made a vague reference to UBIT as “an obscure business tax.” Now you know what exactly they were talking about. Fortunately for Romney, his team of alchemists implemented a strategy known as a blocker corporation, I kid you not. The use of these blocker corporations gets around the spirit if not the legality of UBIT. In the end, it’s 50/50 whether the whole scheme Romney’s team implemented was legal or not. Even if legal, it would be fascinating to what lengths he went through to reduce his tax as low as he could. Loopholes so complex, that when I try to explain some of the process to people, they find it incomprehensible. Legal or not, just **show us the returns, sir, five year’s returns**.