Beneficiary Options & Portability

Appleby IRA Quick Reference Guide

Use this guide to determine when beneficiaries of Traditional IRAs, SEP IRAs, SIMPLE IRAs and Roth IRAs should withdraw amounts from their inherited accounts in order to avoid owing the IRS' 50% excess accumulation penalty. Portability Options for beneficiaries of employer plans and IRAs are also included.

Traditional IRA Owner Dies before the Required Beginning Date (RBD)

Spouse Beneficiary	Non-Spouse (person) beneficiary	Non-Person Beneficiary
• Rollover/transfer to own IRA or rollover to other [illegible] retirement account[illegible] • Distribute over [illegible] expectancy, beginning by [illegible] 12/31 of year after death or 12/31 of year owner would have reached age 70 ½ or • Five year rule	• Distribute over own life expectancy of oldest beneficiary* beginning by 12/31 of year after death, or • Five year rule * [illegible] accounting [illegible] for multiple beneficiaries, each [illegible] will be eligible to use his/her own life expectancy	• Five year rule

Note: Under the five year rule, distributions [illegible] until the end of the [illegible] year [illegible] the year [illegible] the entire balance must be distributed.

see page 2 for additional details

Trad[illegible] IRA Owne[illegible] (RBD)

Spouse Beneficiary	Non-Spouse (person) beneficiary	Non-Person Beneficiary
• Rollover/transfer to [illegible] rollover to other [illegible] retirement account, or • Distribute over longer of remaining [illegible] decedent or [illegible] beneficiary, [illegible] year after death	• Distribute over longer of remaining life expectancy of decedent or life expectancy of beneficiary beginning 12/31 of [illegible]	• Distribute over remaining life expectancy of decedent, beginning 12/31 of year after death

Notes:

- The required beginning date (RBD) is April 1 of the year which follows the year that the IRA owner reaches age 70 ½. For instance, if the IRA owner reaches age 70 ½ this year, the RBD is April 1 of next year.
- If the RBD falls on a weekend or public holiday, it is extended until the next business day.

E-Mail: [illegible] Tel: 888-724-3139 [illegible]

Traditional IRA Beneficiary Options Quick Reference

Beneficiary	IRA owner Dies Before the RBD	IRA owner Dies on or After the RBD
Spouse beneficiary	• ***Move to own IRA:*** via transfer or rollover , • ***Rollover to own qualified plan, 403(b), 403(a) or 457(b) account,*** • ***Life-expectancy Payments*** (*Recalculation*)***:*** The assets are distributed over the single-life-expectancy of the surviving spouse, beginning the **later of** : (a) 12/31 of the year following the year the IRA owner dies **or** (b) 12/31 of the year the IRA owner would have reached age 70½ [illegible] or • ***[illegible] Year Option:*** The assets must be fully [illegible] by December 31 of the 5th year following the year the IRA owner dies.	• ***Move to own IRA:*** via transfer or rollover , • ***Rollover to own qualified plan, 403(b), 403(a) or 457(b) account,*** or • ***Life expectancy Payments:*** Beginning 12/31 of the year following the year the IRA owner dies. The assets are distributed over the **longer of** : (a) The remaining life expectancy of the deceased IRA owner (*Non-recalculated*) or (b) The life-expectancy of the surviving spouse (*Recalculated*).
Non-spouse beneficiary	• ***Life-expectancy Payments*** (*Non-Recalculation*)***:*** Distributions must begin by 12/31 of the year following the year the IRA owner dies or • ***[illegible] Year Option:*** [illegible] assets must be fully distributed by December 31 of the 5th year following the [illegible] the IRA owner dies.	• ***Life expectancy Payments:*** Beginning 12/31 of the year following the year the IRA owner dies. The assets are distributed over the **longer of** (a) The remaining life expectancy of the deceased IRA owner(Non-recalculated) or (b) The life-expectancy of the beneficiary (Non-recalculated).
Non-person beneficiary (example: an estate, charity, nonqualified trust	• ***The Five Year Option:*** The assets must be fully [illegible] 5th year following the year [illegible] IRA owner [illegible].	• ***Life-expectancy Payments:*** Over the remaining life expectancy of the deceased IRA owner (non-recalculated), beginning by 12/31 of the year following the year the IRA owner dies.
Qualified trust beneficiary	• ***Life-expectancy Payments:*** I. *If the surviving spouse is the sole beneficiary* [illegible] *trust,* [illegible] over [illegible] single life expectancy of the surviving spouse beneficiary (*Recalculated*), [illegible] the **later of** : (a) 12/31 of the year following the year the IRA owner dies or (b) 12/31 of the year the IRA owner would have reached age 70½. *If the surviving spouse is not the sole primary beneficiary of the trust, distributions are based on the oldest beneficiary's life expectancy (non-recalculated), and must begin by 12/31 of the year following the year the IRA owner dies.* or II. ***[illegible] Five Year Option:*** *The assets must be fully distributed by December 31 of the 5th year following the year the IRA owner dies.*	• ***Life-expectancy Payments:*** I. *If the surviving spouse is the sole beneficiary of the trust,* the assets are distributed over the **longer of** : (a) The life-expectancy of the deceased IRA owner (*Non-recalculated*) or (b) The life-expectancy of the surviving spouse (*Recalculated*). II. *If the surviving spouse is not the sole primary beneficiary of the trust,* the assets are distributed over the **longer of** the *Non-recalculated* life expectancy of : (a) The deceased IRA owner **or** (b) The oldest beneficiary of the trust. For either option, distributions must begin by 12/31 of the year following the year the IRA owner dies.

Notes:

- *If the life expectancy option applies, and there are multiple beneficiaries, the life expectancy of the oldest beneficiary is used, unless the assets are split into separate accounts by 12/31 of the year following the year the IRA owner dies. Beneficiaries whose share is split into separate accounts may use their own life expectancies.*
- *When the decedent's life expectancy is used, it is determined in the year of death. When the non-spouse beneficiary's life-expectancy is used, it is determined in the year following the year the IRA owner dies.*

Notes for Quick Reference on Page 2

Special Rules for Spouse Beneficiaries

- *A spouse beneficiary who chooses the inherited IRA option can rollover the balance to his/her own IRA or other eligible retirement account at anytime.*
- *If a spouse beneficiary who is using his/her life expectancy to calculate post death distributions under the beneficiary-options subsequently dies , the successor beneficiary must switch to the non-recalculated method, following the year the spouse beneficiary dies. This means that the spouse beneficiary's remaining life expectancy must be set in the year he/she dies, and 1(one) is subtracted for each subsequent year to determine the life expectancy that should be used by the successor beneficiary.*

Life-expectancy Methods and Definitions

- *Recalculation means that the life-expectancy is determined by referring to the single-life expectancy table each year.*
- *Non-recalculation means that the single-life expectancy [illegible] in the year of determination, and 1(one) is subtracted for each subsequent year- to determine the applicable life-expectancy.*
- *Year-of-determination means the year that the life-expectancy is determined.*
- *When life-expectancy is non-recalculated and the decedent's life-expectancy is being used, the year of determination is the year the IRA owner dies. When the beneficiary's life-expectancy is being used, the year of determination is the year following the year the IRA owner dies.*
- *When there are multiple beneficiaries, the life-expectancy of the oldest beneficiary is used, unless the assets are under separate accounting by 12/31 of the year following the year the IRA owner dies. If separate accounting occurs by the deadline, each beneficiary (for whom separate accounting occurs) may use his/her own life-expectancy*
- *When the IRA owner dies before the required beginning date (RBD), the life-expectancy option is the default option under the required minimum distribution (RMD) regulations and most IRA plan documents. However, some IRA documents [illegible] the default option.* ***The IRA document under which an IRA is maintained should be checked to determine the distribution options available to beneficiaries***.

RMD for Year of Death Must be Satisfied by Beneficiary

- *If the IRA owner dies on or after the RBD and did not satisfy his/her RMD prior to death, the beneficiary must satisfy that RMD (for the year the IRA owner dies). That amount is reported under the beneficiary's tax identification number.*

Various deadlines

- ***9 months after the date the IRA owner died, or [illegible] months after the beneficiary reaches age 21***. *Deadline to disclaim inherited assets.* The disclaimer is valid only if it is received by the transferor of the interest, his/her legal representative, or the holder of the legal title to the property to which the interest relates by the 9 month deadline. Other requirements must also be met. These are explained in Internal Revenue Code (IRC) § 2518. An attorney should be consulted to determine if additional requirements apply under State law.
- ***September 30, of the year following the year the IRA owner dies:*** *Deadline to determine designated beneficiaries whose life expectancy can be used to calculate post-death distributions.* If there are multiple beneficiaries of an IRA, the oldest beneficiary's life expectancy is used to determine post-death RMD amounts, unless separate accounting occurs by December 31 of the year following the year the IRA owner dies. However, this applies only to beneficiaries who remain with assets under the IRA <u>after the September 30 deadline</u>. Beneficiaries who properly disclaim, or distribute their full share by September 30 are disregarded. If a charity or other non-person is one of multiple beneficiaries, tax professionals often [illegible] that the entity distribute its share by the September 30 deadline so that it is disregarded in the event separate accounting does not occur by the deadline (see below).
- ***October 31 of the year following the year of death***. *Deadline by which trust documentation for a qualified/valid trust must be provided to the IRA custodian.* If a trust satisfies the requirements as described under Treas. Reg. 1.401(a)(9)-4, A-5(b)), a copy of the trust or qualifying documentation must be provided to the IRA custodian by the October 31 deadline, and must show the beneficiaries on record as of the September 30 deadline.
- ***December 31 of the year following the year of death***. *Deadline for separate accounting when there are multiple beneficiaries.* Separate accounting by this deadline allows each beneficiary to use their own life expectancies. If the assets are not separated by this deadline, the life expectancy of the oldest beneficiaries must be used to determine post death RMD amounts.

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Roth IRA Owner Dies

Spouse Beneficiary	Non-Spouse (person) beneficiary	Non-Person Beneficiary
• Rollover/transfer to own Roth IRA * • Distribute over own life expectancy, beginning by 12/31 of year after owner's death, or • Five year rule	• Distribute over own life expectancy, beginning by 12/31 of year after owner's death, or • Five year rule	• Five-year rule

* Some Roth IRA agreements require the surviving spouse beneficiary to treat the Roth IRA as his/her own. The Roth IRA agreement should be consulted to determine the options available to the spouse beneficiary.

Spouse beneficiary	Non-spouse beneficiary	Non-person beneficiary[1]	Qualified trust beneficiary
• ***Move to own Roth IRA* via transfer or rollover** • ***Life-expectancy Payments (Recalculation):* The assets are distributed over the single-life-expectancy of the surviving spouse, beginning 12/31 of the year following the year the** Roth **IRA owner dies** • ***Five Year Option:* The assets must be fully distributed by December 31 of the 5th year following the year the** Roth **IRA owner dies.**	• ***Life-expectancy Payments*** *(Non-Recalculation)*: Distributions must begin by 12/31 of the year following the year the Roth IRA owner dies, or • ***The Five Year Option:*** The assets must be fully distributed by December 31 of the 5th year following the year the Roth IRA owner dies	• ***The Five Year Option:*** The assets must be fully distributed by December 31 of the 5th year following the year the Roth IRA owner dies	• ***Life-expectancy Payments:*** (a) *If the surviving spouse is the sole beneficiary of the trust, the assets are distributed over the single life expectancy of the surviving spouse beneficiary (Recalculated), beginning 12/31 of the year following the year the Roth IRA owner dies* (b) *If the surviving spouse is not the sole primary beneficiary of the trust, distributions are based on the oldest beneficiary's life expectancy (Non-recalculated), and must begin by 12/31 of the year following the year the Roth IRA owner dies,* *or* • ***The Five Year Option:*** *The assets must be fully distributed by December 31 of the 5th year following the year the Roth IRA owner dies.*

[1] Non-person beneficiary examples include an estate, charity, nonqualified trust

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Q: How should an inherited/beneficiary IRA be registered / titled?

A: The IRA should include the names of the beneficiary and the decedent. The IRS gave the following example: "Brian Willow as beneficiary of Joan Maple", or a similar registration indicating that the IRA was once owned by Joan Maple. The word "beneficiary" may be abbreviated to read "bene." The tax identification number used for tax reporting of distributions which occur after the IRA owner's death must be that of the beneficiary.

Q: What are the requirements that must be satisfied in order for a trust to be treated as a designated beneficiary?

If a trust satisfies the following requirements, it is treated as a designated beneficiary and the life expectancy of the oldest beneficiary can be used to calculate RMD amounts:

1. The trust is a val[illegible] under state law, or would [illegible] for the fact that [illegible] is no corpus.
2. The trust is irre[illegible] or [illegible] its [illegible] irrev[illegible] upon [illegible] death of the IRA owner.
3. The beneficiaries [illegible] interest in the IRA are identifiable.
4. The trust docu[illegible] beneficiary/ies as of September 30 of the year following the year of death, is provi[illegible] IRA [illegible] by October 31 [illegible] the year-of-death. There must be an agreement to notify the IRA custodian of any future amendment made to the trust. As an alternative to providing a copy of the trust, the following can be provided:
   a. A list of all of the beneficiaries of the trust (including contingent and remaindermen beneficiaries with a descrip[illegible] entitlement, sufficient to establish whether the surviving spouse is the sole benefic[illegible] for purposes [illegible] RMD rules.
   b. A certi[illegible] to th[illegible] the IRA owner's knowledge, the list is correct and complete and that the require[illegible] for [illegible] qua[illegible] (as noted above) are satisfied ;
   c. An agreement that , if the trust instrument is amended at any time in the future, the IRA owner will provide the IRA custodian/plan trustee with corrected certifications to the extent that the amendment changes any information previously certified , within a reasonable time; **and**
   d. An agr[illegible] to [illegible] co[illegible] ust ins[illegible] custodian/ trustee upon demand

Q: If an IRA owne[illegible] primar[illegible] beneficiary dies before him, and [illegible] subsequ[illegible] to name a new primary beneficiary, who i[illegible] considered to [illegible] beneficiary when [illegible] owner [illegible]?

A: It depends. If the IRA owner named contingent beneficiaries for the IRA, the contingent beneficiaries would be treated as the primary beneficiaries. If no contingent beneficiaries were named, the beneficiary would be determined under the *default provisions of the IRA agreement*. Some IRA agreements default to the estate of the decedent, in which case the IRA would have a non-person [illegible] Some d[illegible] the spouse, [illegible] provide [illegible] there is no surviving spouse, then the c[illegible] IRA [illegible] the beneficiary a[illegible] surviv[illegible] children, then the estate would be the benef[illegible] of the IRA.

Q: How does a spouse beneficiary elect to treat inherited IRA assets as his/her 'own'?

A: The treat-as-own option , which applies only to a spouse who is the sole primary beneficiary of an IRA, means that the decedent's IRA balance is transferred to the surviving spouse's 'own' non-inherited IRA, or by the surviving spouse re-designating the dec[illegible] IRA as [illegible] IRA in his/her name and the decedent's name is removed from the account registration. The [illegible] determined by what is available under the financial institution's operational procedures. Alternatively the surviving spouse [illegible] deemed to have made the election if any RMD amount in the IRA that would be required to be distributed under the beneficiary option is not distributed within the applicable deadline, or the spouse makes contributions to the IRA. The result of the treat-as-own option is that the IRA is treated as if it was established and funded by the surviving spouse, instead of being inherited- for contributions and distribution purposes. The treat-as-own option is permitted to be made at any time after the IRA owner's date of death. In cases where the spouse is not the sole primary beneficiary, the same results can [illegible] rolling over the assets to the spouse's own IRA.

Q: Are the distribution options [illegible] IRAs [illegible] same as those that apply [illegible] traditional IRAs?

A: No. Because R[illegible] IRA owners are not subject [illegible] the RMD rules, there is no RBD for Roth IRAs. Therefore, the distribution options for Roth IRAs [illegible] the same as those that apply to a traditional IRA when the owner dies before the RBD. The IRA agreement must be consulted to be sure, as the custodian ultimately determines whether they want to offer both the five-year and the life-expectancy options. Some IRA agreements limit a spouse beneficiary's options to treating the Roth IRA as his/her own, instead of choosing to treat the account as an inherited Roth IRA.

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Portability Options for Inherited Assets from Employer Plans, Traditional IRAs and Roth IRAs

Assets Inherited From	To Traditional IRA: Beneficiary	Own	Inherited	To Roth IRA: Beneficiary	Own	Inherited	To Employer Plan Account: Beneficiary	Own	Inherited	To Roth 401(k) & Roth 403(b)/457(b) Gov't: Beneficiary	Own	Inherited
Employer Plan	Spouse	[illegible]	Yes	Spouse	Yes	Yes	Spouse	Yes[1]	Yes	Spouse	Yes[3]	Yes[3,5]
	Nonspouse	No	[illegible]	Nonspouse	No	Yes	Nonspouse	No	Yes	Nonspouse	No	No
	Qualified trust	[illegible]	Yes	Qualified trust	No	Yes	Qualified trust	No	Yes[2]	Qualified trust	No	No
	Nonperson	No	[illegible]	Nonperson	No	[illegible]	Nonperson	No	Yes	Nonperson	No	No
Roth 401(k) and Roth 403(b)/457(b) Gov't	Spouse	[illegible]	[illegible]	Spouse	Yes	Yes	Spouse	No	No	Spouse	Yes[1]	Yes
	Nonspouse	No	No	Nonspouse	No	[illegible]	Nonspouse	No	No	Nonspouse	No	Yes
	Qualified trust	No	No	Qualified trust	No	Yes	Qualified trust	No	No	Qualified trust	No	Yes
	Nonperson	No	No	Nonperson	No	No	Nonperson	No	No	Nonperson	No	Yes
Traditional IRA	Spouse	Yes	Yes	Spouse	Yes[4]	No	Spouse	Yes	No	Spouse	No	No
	Nonspouse	No	[illegible]	Nonspouse	No	No	Nonspouse	No	No	Nonspouse	No	No
	Qualified trust	No	Yes	Qualified trust	No	No	Qualified trust	No	No	Qualified trust	No	No
	Nonperson	[illegible]	[illegible]	Nonperson	No	No	Nonperson	No	No	Nonperson	No	No
Roth IRA	Spouse	No	No	Spouse	Yes	[illegible]	Spouse	No	No	Spouse	No	No
	Nonspouse	No	No	Nonspouse	No	[illegible]	Nonspouse	No	No	Nonspouse	No	No
	Qualified trust	[illegible]	[illegible]	Qualified trust	No	Yes	Qualified trust	No	No	Qualified trust	No	No
	Nonperson	No	No	Nonperson	No	Yes	Nonperson	No	No	Nonperson	No	No

Notes:

- The categories of spouse, nonspouse, qualified trust, and nonperson, refer to the *type* of beneficiary
- For this purpose, an *employer plan* includes: a qualified retirement plan (401(a) and [illegible] plans), as well as, 403(b) and governmental 457(b) plans
- Reference to *Traditional IRA* includes SEP IRAs; and if any deposits [illegible] for at least [illegible] years, a SIMPLE IRA
- A SIMPLE IRA can only receive assets from another SIMPLE IRA
- Assets must be *rollover eligible* in order to be rolled over to the receiving retirement account. A RMD amount is *not* rollover eligible. After-tax amounts cannot be rolled over from an IRA to an employer plan
- Except for a spouse, a rollover from an employer plan to an inherited traditional or inherited Roth IRAs must be a *direct rollover*— not a 60-day rollover
- Assets that are being moved from a decedent's IRA to an Inherited IRA of a non spouse beneficiary must *directly transferred*— trustee-to-trustee
- Except for *after-tax* balances, movement from a non-Roth account to a Roth account is *treated as* a taxable distribution
- A *qualified trust* is defined in Treasury Regulations Section 1.401(a)(9)-4, Q&A-5

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[1] Surviving spouse must be a participant in the *receiving* plan.
[2] Account must remain within the *same* employer's plan that held the deceased participant's assets.
[3] Plan must allow for an *in-plan* conversion.
[4] Treated as a Roth conversion (may be taxable). Spouse must first elect to *treat* the inherited traditional IRA as his or her own IRA; see Q&A for this is done)
[5] Verify that IRA agreement provides this option, and if not, the only option available to surviving spouse is to treat the Roth IRA as his or her own.

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Summary of Employee Benefit and Related Limits (2011-2010)

	2011	2010		2011	2010
Elective Deferral Limits			**SEP Eligibility Compensation Floor**	$550	$550
401(k), 403(b), and SARSEP	$16,500	[illegible]	**Coverdell ESA Contribution limit**	$2,000*	$2,000
457(b) plan	[illegible]	[illegible]	**Traditional IRA & Roth IRA**		
SIMPLE IRA and SIMPLE 401(k)	[illegible]	[illegible]	Annual contribution limit	$5,000	$5,000
Catch-Up Contributions (age 50)			Catch-up contribution limit (age 50)	$1,000	$1,000
401(k), 403(b), 457, and SARSEP	$5,500	$5,500	Roth conversion income limit	None	None
Simple IRA and Simple 401(k)	[illegible]	[illegible]	**HSA - Health Savings Accounts**		
Maximum Plan Compensation Cap	[illegible]	[illegible]	Individual contribution limit	$3,050	$3,050
§415 Annual Limits			Family contribution limit	$6,150	$6,150
Defined contribution plan	$49,000	[illegible]	Catch-up contribution limit (age 55)	$1,000	$1,000
Defined benefit plan	$195,000	$195,000	**Bankruptcy Exemptions**		
Highly Compensated Employees	$110,000	$110,000	IRA exemption [§522(n)]	$1,171,650	$1,171,650
Key Employees			[illegible] exemption [illegible]	$146,650	$146,650
Officer compensation	[illegible]	[illegible]	**Social Security**		
1% Owners	$150,000	[illegible]	OASDI rate (Employee/Employer)	4.2% /6.2%	6.2%/6.2%
Gov't Plan Compensation Limit	$360,000	[illegible]	Medicare rate (Employee/Employer)	1.45%/1.45%	1.45%/1.45%
Controlled Employee Limits			FICA (Employee/Employer)	5.65%/7.65%	7.65%/7.65%
§1.62-21(f)(5)(i)	$95,000	$95,000	SECA	13.3%	15.3%
§1.62-21(f)(5)(iii)	[illegible]	[illegible]	Taxable wage base (TWB)	$106,800	$106,800
ESOP Limits			**Social Security Earnings Limit**		
Threshold account balance	$985,000	[illegible]	Under full retirement age ($1 for $2 reduction)	$14,160 /yr.	$14,160 /yr.
Normal/additional periods	5	5	Attains full retirement age ($1 for $3 reduction)	$37,680 /yr.	$37,680 /yr.
One year extension threshold	$195,000	$195,000	Over full retirement age	Unlimited	Unlimited

IRA, Roth-IRA, and ESA Phase-out Ranges	Single 2011	Single 2010	Married Filing Jointly 2011	Married Filing Jointly 2010	Married Filing Separately 2010 and 2011
Traditional IRA – active participant	[illegible]	$56,000 - $66,000	$90,000 - $110,000	$89,000 - $109,000	$0 - $10,000
Traditional IRA – only spouse active	n/a	n/a	$169,000-$179,000	$167,000-$177,000	$0 - $10,000
Roth IRA – contributions	$107,000 - $122,000	$105,000 - $120,000	$169,000 - $179,000	$167,000 - $177,000	$0 - $10,000
Coverdell ESA – contributions	$95,000 - $110,000	$95,000 - $110,000	$190,000 - $220,000	$190,000 - $220,000	n/a

HSA Limitations	2011 Self-Only Coverage	2011 Family Coverage	2010 Self-Only Coverage	2010 Family Coverage
HSA maximum contribution	[illegible]	[illegible]	$3,050	$6,150
HSA catch-up (age 55 by end of year)	$1,000	$1,000	$1,000	$1,000
HDHP minimum annual deductible	$1,200	$2,400	$1,200	$2,400
HDHP maximum out-of-pocket	$5,950	$11,900	$5,950	$11,900

* As extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

Rollover Chart 2011

ROLLOVER FROM	ROLLOVER TO: Qualified Plan	403(b) Plan	457(b) Plan (Governmental)	Thrift Savings Plan	Traditional IRA	SEP IRA	SIMPLE IRA	Roth IRA	Coverdell ESA	Designated Roth Account
Qualified Plan	YES, if plan accepts. If rollover is after tax, it must be a direct rollover.	YES, if plan accepts. If rollover is after tax, it must be a direct rollover.	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES. No rollover of after-tax contributions allowed.	YES. If contribution is after tax, Form 8606 is required.	YES. If contribution is after tax, Form 8606 is required.	NO	YES, after 2007, as a conversion.	NO	YES, direct internal rollover for distributions after Sept. 27, 2010, if plan accepts.
403(b) Plan	YES, if plan accepts. If rollover is after tax, it must be a direct rollover.	YES, if plan accepts. If rollover is after tax, it must be a direct rollover.	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES. No rollover of after-tax contributions allowed.	YES. If contribution is after tax, Form 8606 is required.	YES. If contribution is after tax, Form 8606 is required.	NO	YES, after 2007, as a conversion.	NO	YES, direct internal rollover for distributions after Sept. 27, 2010, if plan accepts.
457(b) Plan (Governmental)	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES. No rollover of after-tax contributions allowed.	YES. If contribution is after tax, Form 8606 is required.	YES. If contribution is after tax, Form 8606 is required.	NO	YES, after 2007, as a conversion.	NO	YES, direct internal rollover for distributions after 2010, if plan accepts.
Thrift Savings Plan	YES	[illegible]	[illegible]	[illegible] TSP [illegible]	YES	[illegible]	[illegible]	YES, after 2007, as a conversion.	NO	NO
Conduit IRA	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES. No rollover of after-tax contributions allowed	YES, but taxpayer should keep conduit IRA separate.	YES, but taxpayer should keep conduit IRA separate.	NO	YES, as a conversion.	NO	NO
Traditional IRA and SEP IRA	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES, if plan accepts. No rollover of after-tax contributions allowed.	YES. No rollover of after-tax contributions allowed.	YES	YES	NO	YES, as a conversion.	NO	NO
SIMPLE IRA	YES, if plan accepts; only after 2 years.	YES, if plan accepts; only after 2 years.	YES, if plan accepts; only after 2 years.	YES, only after 2 years.	YES, only after 2 years.	YES, only after 2 years.	YES	YES, as a conversion after 2 yrs.	NO	NO
Roth IRA	NO	NO	NO	NO	NO	NO	NO	YES	NO	NO
Coverdell ESA	NO	NO	NO	[illegible]	NO	[illegible]	NO	NO	YES	NO
Designated Roth Account (DRA)	NO	NO	NO	NO	NO	NO	NO	YES	NO	YES

Traditional IRA Deductibility

Appleby IRA Quick Reference Guide

Use this guide to determine an individual's eligibility to claim a tax deduction for a contribution to a Traditional IRA on his/her federal tax return.

Traditional IRA Deductibility – For Tax Year 2011

Notes	Tax-Filing Status	MAGI	Allowed Deduction
• 100% means \$5,000, unless you will be at least age 50 by 12/31/2011, in w[illegible] case it is \$6,00[illegible] • For individuals e[illegible] for partial deductions (*less than 100%*) [illegible] formula must be used to determine the amount that you are eligible to deduct. See pa[illegible] 4	Single	\$56,000 or less	100%
		\$56,000 - \$66,000	Partial
		\$66,000 or more	None
	M[illegible] filing joint[illegible] P[illegible] making [illegible] contribution is an active participant	[illegible]90,000 or less	100%
		\$90,000- \$110,000	Partial
		\$110,000 or more	None
	Married filing joint[illegible] Person making contribution is not an active participant, but is married to an active participant	\$169,000 or less	100%
		\$169,000 - \$179,000	Partial
		\$179,000 or more	None
	Married filing separately	Less than \$10,000	Partial
		\$10,000 or more	None
	Note: The chart should be read from the perspective of the person for whom the contribution is being made. [illegible] if you are making the contribution and your status is married filing jointly, you would say I am married, and I am an active participant, so the \$90,000 to \$110,000 range would apply to me" or "I am married, and while I am not an active participant, I am married to an active participant, so the \$169, 000 to \$179, 000 range would apply to me".		
Regular contribution limit	\$5,000		
Catch-up contribution [illegible]	\$1,000		
Contribution deadline	April 1[illegible], 2[illegible]		
Age Limitation	[illegible] contributions are allowed beginning [illegible] the year the taxpayer attains age 70 ½		

The general definition of an active participant is an individual who receives contributions or benefits under an employer sponsored plan. However, the rules defining who is an active participant vary among the types of employer sponsored plans. The following explains how these rules apply to the different types of employer sponsored plans.

Determination of "Who Is an Active participant"

SEP IRA & profit Sharing Plan	• [illegible] an active participant for the year the contribution is deposited to your SEP IRA or profit sharing account. For instance, if the contributions for last year and deposited last year, then you are an active participant for last year. However, if the contribution is for last year, but deposited [illegible] this year, then you are an active participant for this year. *An exception applies* if contributions for two separate years are made in the same year, the contribution [illegible] the later year is treated as if it was made [illegible] of the deposit.
Money Purchase Pension, Plan Target Benefit Plan	• You are an active participant for the year **for** which a forfeiture contribution is allocated, or a contribution is made regardless of when it is deposited to your account. For instance, if the contribution is for last year and deposited last year, then you are an active participant for last year. If the contribution is for last year, but deposited to your account this year, you are an active participant for last year. ***Note***: Even if you did not receive this "required" contribution, you are still considered an active participant for the year that it was required to have been made.
Defined Benefit Plan	• [illegible] an active participant if you are not excluded under the eligibility provisions of the plan for the plan year ending with or within your taxable year. This applies regardless of whether you elected to decline participation in the plan.
401(k), 403(b), SAR-SEP, SIMPLE IRA	• You are an active participant if you elect to make salary deferral contributions to the plan. If you are eligible to make salary deferral contributions but [illegible] to do so and no other contributions or forfeitures are made to your account for the plan year ending with or within your taxable year, you are not an active participant for that year.
Lesser Known Rules	• ***[illegible] participation counts:*** If you are an active participant for only a few weeks in the year, and/or your contributions only amount to a few dollars, you are still considered an active participant. • ***You are an active participant if salary deferral is an excess:*** If you make a salary deferral contribution and removed it because it was an excess contribution- you are still an active participant for the year. • ***You Are Active- even if you don't 'own' the contributions:*** Non IRA based employer sponsored plans can include a vesting schedule, which requires you to work with the employer for a number of years before you 'own' the employer contributions made to your account. If you leave that employer before meeting the service requirements, you forfeit those contributions. Even if those contributions are forfeitable, you are still considered an active participant for that year.

[1] When April 15 falls on a public holiday or weekend, the deadline is extended until the next business day.

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Q: How can I determine if I am eligible to deduct a contribution to my Traditional IRA?

A: The first step is to determine if you are an active participant, or married to an active participant.
If you are not an active participant, and you are not married to an active participant, then the contribution is fully deductible.
If you are an active participant, or married to an active participant; then the deductibility of the contribution is determined by your modified adjusted gross income (MAGI) and tax-filing status.

The chart on page 1 shows the MAGI limits that apply to each tax-filing status, and when a deduction is allowed.

Q: If I am eligible [illegible] a deduction for a Tradit[illegible]RA contribu[illegible] I choose not to take the deduction?

A: Yes. You are n[illegible] required [illegible] the deduction [illegible] a Traditional IRA contribution. You can choose to treat the amount as a nondeductible con[illegible] Form 86[illegible] and no[illegible] claim the deduction on your tax return.

Q: Are there any exceptions that would result in an individual *not* being an active participant?

A: Yes. Examples of exceptions that would result in you not being treated as an active participant for any taxable year include the following:

- You are covered only under a social security retirement program
- You receive only pension and annuity benefits from a previous employer's plan
- The only reason for your participation in a plan is as a result of being a member of a reserve unit of the armed forces and both of the following conditions are met:
  1. The plan is established for its employees by:
     a. *The United States;*
     b. [illegible] su[illegible] a state [illegible]
     c. *An instrumentality of either (a) or (b) above*
  2. You se[illegible] more [illegible]90 days on active duty during the year (n[illegible] training).
- The only reason you participate [illegible] a plan is because of being a volunteer firefighter and both of the following conditions are met:
  1. The plan is established for its employees by:
     a. *The United States;*
     b. *[illegible] political su[illegible] of [illegible], or*
     c. *An instrumentality of either (a) or (b) above*
  2. Your a[illegible] retirement [illegible] the [illegible] of the year will [illegible] than [illegible]00 per year at retirement, when expressed as a single life annuity commen[illegible] at age 65.

Q: I am 39 years old and eligible to deduct $ 2,000 of my traditional IRA contribution. Can I contribute the difference to a Roth IRA?

A: Yes. You may contribute the difference of $3,000 ($5,000- $2,000) to your Roth IRA, providing you are eligible to make the Roth IRA contribution. [illegible] individuals split their IRA contributions between both types of IRAs, in order to reap the benefits of both types of IRAs [illegible] the deductibility for the Traditional IRA contribution- if eligible, and the potential tax-free growth for the Roth IRA contribu[illegible].

Q: What are the eligibility requirements for contributing to a Roth IRA?

A: You must have eligible compensation and your contribution limits are based on your age and MAGI, as indicated in the chart below. *[100% means $5,0[illegible]*

	Tax filing Status	MAGI	Allowed Contribution
Contribution eligibi[illegible] (in addition to being required to have eligible compensation/income)	Single	$107,000 or less	100%
		$107,000 - $122,000	Partial
		$122,000 or more	None
	Married filing jointly	$169,000 or less	100%
		$169,000 -$179,000	Partial
		$179,000 or more	None
	Married filing separately	Less than $10,000	Partial
		$10,000 or more	None

Q: If I am an active participant, does that affect my Roth IRA contribution in any way?

A: No. Active participant status only affects your ability to deduct your IRA contribution. Since Roth IRA contributions are not deductible, it has no bearing on your Roth IRA contribution.

Q: My tax filing status is "Married Filing Separately". Are there any exceptions that would allow me to use another tax-filing status thus enabling me to fall within a more favorable phase-out range?

A: Yes. If you did not live with your spouse at any time during the year, you are eligible to use the phase-out range that applies to individuals who file as "single".

Q: Can I take the [illegible] for any traditional IRA [illegible] and [illegible] receive the Saver's Credit?

A: Yes. If you meet the eligibility requirements [illegible] both, you [illegible] claim both on your tax return.

Q: What are the eligibility requirements for claiming the Saver's Credit?

A: If your adjusted gross income (AGI) falls below certain amounts, you may be eligible to receive a nonrefundable tax credit of up to 50% of the IRA contributions and /or any salary deferral contributions that you make for the year. This is referred to as the Saver's Tax Credit. The tax credit is capped at $1,000. The credit percentage rate of the nonrefundable tax credit depends [illegible] your MAGI. The following table illustrates the percentages available for individuals within the indicated AGI ranges.

2011 AGI Thresholds for the Saver's Credit						
Credit Rate	**Married and files a joint return**		**Files as head of household**		**Other category of filers**	
	AGI Over	**AGI Not Over**	**AGI Over**	**AGI Not Over**	**AGI Over**	**AGI Not Over**
50%	$0.00	$34,000	$0.00	$25,500	$0.00	$17,000
20%	[illegible]	[illegible]	[illegible]	[illegible]	$17,000	$18,250
10%	[illegible]	[illegible]	[illegible]	[illegible]	$18,250	$28,250
0%	[illegible]		[illegible]		$28,250	

Other requirements for receiving the credit apply. These include the following:

- You must be at least 18 years of age the year for which the credit is claimed
- You cannot be claimed as a dependent on someone else's tax return
- You cannot be a fulltime student

Refer to IRS Form [illegible] to determine the amount of credit for which you are eligible. Individuals who claim the credit should file a copy along with their tax returns.

Distributions Can Reduce the Saver's Credit

Certain distributions taken by you and/or your spouse can reduce the contribution eligibility for the savers credit. These include any taxable distribution from a retirement plan or IRA:

- That is received during the year in which the credit is claimed
- During the [illegible] preceding years, or
- During the period after the end of the year for which the credit is claimed and before the due date for filing your tax return for that year.

A distribution from a Roth IRA that is not rolled over is taken into account for this reduction, even if the distribution is not taxable. Additional details on the Saver's Credit are available in IRS Announcement 2001-106, the instructions for Form 8880 and IRS Publication 590, which are available at www.irs.gov

Q: If I make a nondeductible contribution to my traditional IRA, how do I make sure that amount is not taxed when withdrawn from the IRA?

A: You should file IRS Form 8606 to report [illegible] nondeductible contribution. [illegible] 8606 lets the IRS know that the contribution is nondeductible and helps you, the IRA owner, to keep track of the nondeductible amounts. Form 8606 prevents those amounts from being [illegible] when withdrawn from the IRA.

Note: *Form 8606 should also be filed for any distribution that is taken from (or Roth IRA conversion made from) any of your Traditional, SEP or SIMPLE IRAs, for any year that you have nondeductible or after-tax amounts in any of your SEP or Traditional IRAs. This is so, because all of your Traditional, SEP and SIMPLE IRAs are treated as one IRA for purposes of determining the taxable portion of any distribution.*

Q: How is MAGI calculated for purposes of determining deductibility of IRA contribution?

A: The following worksheet can be used to determine your MAGI for deducting your Traditional IRA Contribution.

Worksheet: Figuring Your Modified AGI for Deduction of Traditional IRA contributions		
1.	Enter your adjusted gross income (AGI) from Form 1040, line 38; Form 1040A, line 22; or Form 1040NR, line 36	
2.	Enter any Traditional IRA deduction from Form 1040, line 32; Form 1040A, line 17; or Form 1040NR, line 31	
3.	Enter any student loan interest deduction from Form 1040, line 33; Form 1040A, line 18; or Form 1040NR, line 32	
4.	Enter any tuition and fees deduction from Form 1040, line 34, or Form 1040A, line 19	
5.	Enter any domestic production activities deduction from Form 1040, line 35, or Form 1040NR, line 33	
6.	Enter any foreign earned income exclusion and/or housing exclusion from Form 2555, line 45, or Form 2555-EZ, line 18	
7.	Enter any fo[illegible] ho[illegible] d[illegible]ction [illegible] Fo[illegible] line [illegible]	
8.	Enter any ex[illegible] sav[illegible] [illegible]nd [illegible] fr[illegible] Fo[illegible] 881[illegible] line 14	
9.	Enter any ex[illegible]uded [illegible] from [illegible]m 883[illegible] line 30	
10.	Add lines 1 th[illegible] T[illegible] is yo[illegible] Modif[illegible] AG[illegible] fo[illegible] Traditional [illegible]A purpo[illegible]	

Source: www.irs.gov

***Important:** At the time these were printed, the line numbers used in the worksheet are as indicated above. Please use the worksheet provide[illegible] [illegible] 2011 to ensure that you are using the most current version. See the instructions for filing Form 10[illegible]0, or IR[illegible] P[illegible]blicat[illegible]n 590 at www.irs.gov for specific details.*

Q: My modified [illegible]djusted [illegible] inc[illegible]me ([illegible]GI) falls within the phase-out range for determining whether a Traditional IRA contribution is deductible. How do I determine the deductible amount?

A: If you use tax-preparation software, it should calculate the deductible amount. If that's not available, the following formula can be use[illegible]

{ [Highest dollar limit o[illegible] MAGI rang[illegible] MA[illegible]] x [Contributio[illegible] limit] / [H[illegible]hest dollar [illegible] of MAGI rang[illegible] - Lowest dollar limit of MAGI range] }

For Example:

- Assume you are married and file a joint tax return
- You are an [illegible]ctive [illegible]rticipant
- Your spous[illegible] [illegible] an active [illegible]art[illegible]
- Your joint [illegible]AGI is $9[illegible]000, [illegible]hic[illegible] is w[illegible]n th[illegible] phase-o[illegible] rang[illegible] for [illegible]n act[illegible] [illegible]articipant
- You are un[illegible]er the age [illegible], which means the maximum [illegible] contribution is $5,000 for 2011

You would determine the maximum deductible contribution amount as follows:

Highest dollar li[illegible] of p[illegible]se-out range - MAG[illegible]	x	Contribution limit	/	Highest dollar limit of phase-out range	-	Lowest dollar limit of phase-out range
$110,000-$[illegible]		$5,000		$110,000		$90,000
$15,000	x	$5,000	/	$20,000		
$15,[illegible]00	x	[illegible].25				

Answer =$3,[illegible]

The d[illegible]ducti[illegible] [illegible] is [illegible]3,750

Notes:

If the result is not divisible by $10, round the amount up to the nearest $10.

If the deduction is between $0 and $200, you may round the amount up to $200.

Disclaimer: These Quick Reference Guides cannot be used as substitution for tax advice. Individuals must consult with their tax professionals for assistance with choosing an IRA. This guide is intended to be used by tax, legal and financial professionals with their clients. This information must not be construed as tax or legal advice and is not intended to be used for the purpose of avoiding tax and/or penalties that may be imposed by the IRS or any other regulatory body.

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Retirement Account Related Terms are defined at www.retirementdictionary.com

Retirement Plans Portability

Quick Reference Guide

Use this guide to determine whether assets can be moved between two types of retirement accounts, and get an overview of the general rules that apply to rollovers and transfers.

Is Movement Permitted from Delivering to Receiving Plans/Accounts?

Delivering Plans	Receiving Plans: Traditional /SEP IRA	Roth IRA	SIMPLE IRA	Qualified Plan	Roth 401(k)/ Roth 403(b)	403(b)/ 457(b)[1]	ESA	529 Plan
Traditional /SEP IRA	Yes	Yes	No	Yes[3]	No	Yes[3]	No	No
Roth IRA[4]	[illegible]	Yes	No	No	No	No	No	No
SIMPLE IRA[5]	Yes	Yes[2]	Yes	Yes[3]	No	Yes[3]	No	No
Qualified[6] Plan	Yes	Yes	No	Yes	Yes[8]	Yes	No	No
Roth 401(k)/ Roth 403(b)	No	Yes	No	No	Yes	No	No	No
403(b)/ 457(b)	Yes	Yes	No	Yes[9]	Yes[8]	Yes	No	No
ESA	No	No	No	No	No	No	Yes	Yes
529 Plan	[illegible]	No	No	[illegible]	[illegible]	No	No	Yes

Notes:

- All references to 457(b) means eligible governmental 457(b) plans.
- Rollovers to qualified plans are permitted by regulations, but are optional for each plan and allowed only if permitted under the plan document. Employees should check with their employers to determine if they can rollover assets to their accounts under a qualified plan. Qualified plans include 401(k), profit sharing and pension plans.
- After-tax assets can be rolled over from qualified plans and 403(b) accounts to Traditional IRAs as direct rollovers or indirect rollovers. However, only direct rollovers of these amounts are permitted between two qualified plans and/or a 403(b). After-tax assets cannot be rolled over from an IRA to any retirement plan, except another IRA.
- Movement between accounts of the same type such as Traditional/SEP IRA to Traditional/SEP IRA; Roth IRA to Roth IRA; can be done as non-reportable transfers or 60-day rollovers. Transfers are usually the recommended option, as they leave less room for errors and can be done for an unlimited number of times. Whereas there can only be one IRA-to-IRA distribution/rollover during a 12-month period, such rollovers are associated with a high occurrence of errors. These errors include missing the 60-day deadline and the funds being deposited into the wrong account.
- Generally, non-reportable transfers can be done between two qualified plans, if both plans are maintained by the same employer.

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[1] After-tax amounts may not be rolled over to 457(b) plans
[2] As a Roth conversion
[3] Cannot include after-tax amounts
[4] Contributions and conversions can be recharacterized from Roth IRAs to Traditional and SEP IRAs, and conversions from a SIMPLE IRA can be recharacterized to a SIMPLE IRA
[5] Assets from a SIMPLE IRA cannot be rolled over, transferred or converted to another type of retirement plan unless it has been at least two years since the first SIMPLE IRA contribution was made to the account.
[6] Qualified plan includes defined benefit, target benefit & money purchase pension; profit sharing and 401(k) plans.
[7] As a rollover conversion
[8] As an in-plan conversion (within the same plan and if permitted under plan)
[9] A transfer can be made from a 457(b) or 403(b) plan to a governmental defined benefit plan for certain purchases of service credit.

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Rollover and Transfer Rules for Non-Spouse Beneficiaries

Type of Account you Inherit	Types of Accounts to which the inherited account can be		Important Reminders
	Transferred	Rolled-over	
Traditional IRA, SEP IRA	Traditional IRA, SEP IRA	None	• Applies to individuals, non-persons and qualified trusts beneficiaries
SIMPLE IRA	Traditional IRA, SEP IRA, SIMPLE IRA	None	• Applies to individuals, non-persons and qualified trusts beneficiaries • As there is no exception provided to the SIMPLE IRA 2-year rule, the beneficiary must ensure that the 2-year requirement is met before transferring the assets to an account other than another SIMPLE IRA • Under the two-year rule, assets in a SIMPLE IRA cannot be moved to another type of retirement account until it has been at least two-years since the first SIMPLE IRA contribution was deposited to the SIMPLE IRA
Roth IRA	Roth IRA	None	• Roth IRA ordering rules apply • The five-year period for determining if a distribution is qualified starts with when the owner established the Roth IRA. It does not restart with the beneficiary • Applies to individuals, non-persons and qualified trust beneficiaries
403(b)	403(b)	Traditional IRA, Roth IRA	• The rollover provision applies to individuals and qualified trusts. It does not apply to non-persons • It is mandatory for employers to allow non-spouse beneficiaries to rollover inherited assets from qualified plans, 403(b) and 457(b) plans to IRAs as of 01/01/2010. The funds must be rollover eligible in order for the rollover to occur. Funds that are not rollover eligible cannot be rolled over to any type of IRA • Excluded from income if rolled-over to a Traditional IRA or SEP IRA • Included in income if rolled-over to a Roth IRA
457(b)	457(b)	Traditional IRA, Roth IRA	
Qualified plan	Qualified plan	Traditional IRA, Roth IRA	

Notes:

- 'Transfer' means a non-reportable movement of assets from the delivering account to the receiving account. Generally, the transfer is accomplished by means of an internal journal, or by delivery of the assets directly between two financial institutions. Transfers are non-reportable (not reported to the IRS and not reported on the individual's tax return) and non-taxable.
- 'Rollover' means that a distribution [illegible] deposited to the receiving account as a rollover contribution. Distributions are reported on IRS Form 1099-R and rollovers are reported on IRS Form 5498. Since these **must be done as direct rollovers**, they are reportable but nontaxable.
- The receiving accounts must be 'inherited accounts'/'beneficiary accounts'. Non-spouse beneficiaries cannot transfer or rollover inherited retirement assets to their own retirement accounts. Inherited IRAs must be maintained in the names of the decedent and beneficiary, and under the tax identification number of the beneficiary. Tax reporting is done under the tax identification number of the beneficiary.
- Non-person beneficiaries include any beneficiary that is not a human being or a qualified trust. Examples include estates, charities, non-qualified trusts and schools.
- Generally, movement of assets to an inherited account under an employer plan, must be done from an account under the same plan

Frequently Asked Questions

Q: If I am a non-spouse beneficiary who inherits assets from a 401(k) plan, can I rollover distributions from the 401(k) plan that were paid to me?

A: No. Non-spouse beneficiaries cannot rollover amounts they receive as distributions from inherited retirement accounts. As such, if you want to rollover the amount to a Traditional IRA, SEP IRA or Roth IRA, you must ensure that it is done as a direct rollover.

Q: If I inherit my Aunt's 401(k) account, can I keep the assets in the account and stretch distributions over my life-expectancy?

A: It depends. In o[illegible] determ[illegible] if th[illegible] option [illegible] to you, che[illegible] the Plan Administrator. Bear in mind that if your aunt died on [illegible] after her [illegible] the [illegible] expecta[illegible] over which you can stretch distributions is the longer of her life e[illegible] [illegible]. [illegible] she died before h[illegible] required beginning date, then you would be able to stretch distributio[illegible] your life e[illegible], if the 401(k) pl[illegible].

Q: I inherited my 66 year old Aunt's 401(k) account and the 401(k) plan does not allow me to stretch distributions over my life-expectancy; in[illegible], they [illegible] that I distribute the amount within five-years. Is there any solution available to me, u[illegible] which I could st[illegible] distributions over my life-expectancy?

A: Yes. You can r[illegible] over the inherite[illegible] [illegible] a Traditional IRA or Roth IRA that allows you to stretch distributions over your life expectancy. If the amo[illegible] paid to you, [illegible] is not eligible to be credited to another retirement account. As such, you must ensure that the rollover is done as a *direct-rollover*. With a direct-rollover, the funds are paid to the IRA Custodian/Trustee, for the benefit of your IRA. The IRA must be an inherited IRA, which is registered in your name and the name of your Aunt[illegible] should [illegible] [illegible] purposes. **Deadline Alert**: In such a case, where the 40[illegible](k) d[illegible] not all[illegible] the stretch, [illegible] direct-rollover must b[illegible] [illegible] by December 31 of the year that follows the year in [illegible] your [illegible]. [illegible] you miss th[illegible] deadli[illegible], [illegible] you m[illegible] provisions under the 401(k) plan.

Q: What is a rollover contribution?

A: A rollover (or rollover contribution) is a re-deposit of assets that were withdrawn from a retirement account, such as an IRA, qualified plan, [illegible] account [illegible] a [illegible] eligi[illegible] [illegible]. Dis[illegible] from these plans can also be rolled [illegible] to [illegible] Roth IRA. There a[illegible] t[illegible] type[illegible] of rollove[illegible]: (1) indirect rollovers a[illegible] (2) direct rollovers. The withdrawal for both [illegible] are reporte[illegible] o[illegible] Form [illegible]. [illegible] the receiving [illegible] IRA, the [illegible]over contribution is reported on IRS Fo[illegible]m 5498.

Q: What is the difference between a direct rollover and an indirect rollover?

A: A direct rollover includes two features. (I) it usually involves an employer plan, such as a qualified plan, 403(b) account or 457(b) account on [illegible] ([illegible]istribution) end, and (II) the distributed assets are payable to the receiving custodian/trustee [illegible] other [illegible] [illegible]ment plan, for the benefit of the participant. For instance, if the assets are being moved from a qual[illegible] plan [illegible] IR[illegible] the following is an example of how the payment would be reflected on the instrument of payment "*IRA F[illegible] Br[illegible]wn- [illegible]C as Custodian* **or** *ABC as Custodian for John Brown IRA*".
With an indirect rollover, the assets are distributed to the participant, who has up to 60-days after the date of receipt to rollover the amount to an eligible retirement plan.

Q: What is a tran[illegible]fer?

A: A transfer is a n[illegible] [illegible], g[illegible]lly occurri[illegible]g bet[illegible] retirement accounts of the same type. For instance, from [illegible] Tr[illegible] IRA to [illegible] [illegible]. A[illegible] a[illegible] made payable to the receiving financial institution or plan for [illegible] benefit of [illegible] the participant. [illegible] trustee-to-tru[illegible] [illegible] is sometimes used to refer to a 'transfer'. However, trustee-to-trustee transfer means the mode of delivery, where the funds are delivered and paid to the IRA Custodian or plan trustee FBO the owner, and therefore includes some reportable transactions such as direct rollovers and direct conversions.

Q: Is there a limit on the number of times I can make a trustee-to-trustee transfer between my Traditional IRAs?

A: No. Unlike rollovers between IRAs, there is no limit on the number of transfers between IRAs for any period.

Q: Can I rollover a UK retirement account into my US retirement account?

A: No. Retirement plans from foreign countries cannot be rolled over to US retirement plans. The US Tax code does not allow assets to be rolled over into a US retirement plan, unless the assets are rollover-eligible assets from an eligible retirement plan. For this purpose, **an eligible retirement plan is defined** as (a) qualified plans, which can be categorized as either a defined-benefit plan or defined-contribution plan. Defined-contribution plans include money-purchase pension, profit-sharing, 401(k), and stock bonus plans (b) Annuity plans described under 403(a) (c) 403(b) Tax-Sheltered Annuity or Custodial Account (d) Governmental 457(b) Plans maintained by an eligible employer (e) Traditional IRAccount (f) Traditional IRAnnuity.

Q: I received $100,000 in rollover eligible assets from my 401(k) account, but had the amount paid to me. My employer withheld [illegible] federal tax[illegible], so I [illegible] only [illegible]0,000. [illegible] to rollover the entire $100,000. Should my employer refu[illegible] the amo[illegible] that [illegible] withheld for ta[illegible] me?

A: No. Generally, [illegible] from [illegible] qualified plan, 403(b) or 457(b) plan to the plan participant, instead of [illegible] to an eligible retirement [illegible] (plan sponsor) is required to withhold 20% for federal income tax, and if applicable, any state withholding tax. The amount that was withheld should be remitted to the federal government as an advance payment of taxes on your behalf. If you want to rollover the entire distribution amount of $100,000, you will [illegible] up for [illegible] amount withheld for taxes out of pocket. Alternatively, you may rollover only the $80,000 and tr[illegible] the $2[illegible],000 [illegible] a regular distribution, which would then be treated as ordinary income on your tax return. If you were [illegible] 59 ½ w[illegible] distribution occurred, you will owe the IRS an early distribution penalty of 10% on any taxable por[illegible] that [illegible] not [illegible] over unless an exception applies. The withheld taxes will either increase your federal tax refund [illegible] reduce [illegible] taxes that [illegible] owe for the year. Generally, the rollover must be completed within 60 days of you receiving the distribution. The amount that is timely rolled over will be tax and penalty free.

The Portability Lingo		
Direct rollover	Distribution from a qualified [illegible] plan which is paid [illegible] IRA, R[illegible] IRA [illegible] another eligible [illegible] rollover contribution	• The distribution side is reported on IRS [illegible] 99-R. If the receiving account is an [illegible], the rollover contribution is re[illegible] on Form 5498
Indirect rollover	Distribution from [illegible] qua[illegible]457[illegible] plan [illegible] to the participant, and the participant later deposits the amount to a Traditional IRA, Roth IRA or other another eligible retirement account/plan as a rollover contribution	• For [illegible] direct rollover, there is no time limit on when the rollover must be made, for IRS purposes • For an indirect rollover, the rollover [illegible] completed within 60-day[illegible] after the [illegible] receives the distribution
Rollover	A redeposit of a[illegible] that were withdrawn from [illegible] plan/account by the account owner. The rollover can be the receiving side of a direct rollover, indirect rollover, or a redeposit of funds withdrawn from an IRA.	• [illegible] direct and indirect rollovers • The rollover must generally be completed within 60-days after the participant receives the distribution.
Transfer	Gene[illegible] refe[illegible] movement of assets between retirement acco[illegible] type. Such as Traditional IRA to Tradi[illegible] IR[illegible] Th[illegible] transaction is usually non-reportable	• Assets are paid directly to the receiving plan, IRA custodian
Trustee-to-trustee transfer	Refers to [illegible] 'means of delivery', where the assets are paid directly to the receiving IRA Custodian/Trustee, employer plan, or entity such as in the case of a Qualified Charitable Distribution (QCD) [illegible] With [illegible] to [illegible] transfer, the [illegible] can be given to the account [illegible] Custod[illegible] Trustee, employer plan, or [illegible], as long as the instrument is payable [illegible] employer plan, or entity. Also used to refer to direct rollovers.	• Assets are paid directly to the receiving plan, IRA custodian or entity such as a charity in the case of a QCD.

Disclaimer: *Appleby Retirement Account Guides cannot be used as substitution for tax advice. Individuals must consult with their tax professionals for assistance with determining if a rollover is proper and/or beneficial. This information must not be construed as tax or legal advice and is not intended to be used for the purpose of avoiding tax and/or penalties that may be imposed by the IRS or any other regulatory body.*

US $19.79

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Roth IRA Funding Options

Appleby IRA Quick Reference Guide

Use this guide to determine the different ways in which a Roth IRA can be funded.

Seven(7) Roth IRA Funding Options- For Calendar Year 2011

Option 1: Regular Roth IRA Contribution

– Dollar limit	$5,000 (+ catch-up contribution of $1,000 for individuals who are at least age 50 by the end of the year), or 100% of eligible compensation, whichever is less.
– Contribution modified adjusted gro[illegible] (MAGI) limit[illegible]on eligibility	see table below
– Contribution [illegible]	April 1[illegible], [illegible]12
– Age Limitat[illegible]	No Ag[illegible] on contributions
– Income requ[illegible]ement	[illegible] eligible [illegible]ompensation for the year, such as wages , salaries and self employment income
– Deductibility	Not deductible
– Cash requirement	Must be made in cash (including checks, money orders and other cash instruments)
– Savers Cre[illegible] Eligi[illegible]	Yes

Tax filing Status	MAGI	Allowed amount
[illegible]le	$1[illegible],000 or [illegible]	100%
	$1[illegible],000 - $[illegible]	Partial
	$1[illegible],000 or more	None
Marri[illegible]	$1[illegible]	100%
	$169,000 - $179,000	Partial
	$179,000 or more	None
Married filing separately	Less than $10,000	Partial
	$10,000 or more	None

201[illegible] AGI Thresholds for the Saver's Credit

Credit Rate	Married [illegible] joint return		[illegible] head of household		Other category of filers	
	AGI Over	AGI Not Over	AGI Over	AGI Not Over	AGI Over	AGI Not Over
50%	$0.00	$34,000	$0.00	$25,500	$0.00	$17,000
20%	$34,000	$36,500	$25,500	$27,375	$17,000	$18,250
10%	$36,5[illegible]	$5[illegible]	$27,[illegible]	$4[illegible],375	$1[illegible],250	$28,250
0%	[illegible]		[illegible]		$28,2[illegible]	

Other requirement[illegible] apply. The[illegible] include [illegible]:

- The Roth IRA owner must be at least 18 years of age the year for which the credit is claimed
- The Roth IRA owner cannot be claimed as a dependent on someone else's tax return
- The Roth IRA owner cannot be a fulltime student

Refer to IRS Form [illegible]880 to [illegible] the amount of credit for which the Roth IRA owner is eligible. Roth IRA owners who claim the credit sh[illegible] file [illegible] with their tax returns.

Note: Certain distributions taken by the Roth IRA owner and his or her spouse can reduce the contribution eligible for the savers credit.

Option 2: Spous[illegible] Roth IRA Contributions

– Eligibility	Same [illegible] that app[illegible] regular Roth IRA [illegible] (dollar limit, contribution modified adjust[illegible] gross [illegible] (M[illegible]) limitatio[illegible] eligib[illegible], contribution deadline; age Limitation, [illegible] Credit Eligibility) [illegible] **Option 1.**
– Additional requirements	– Contribution is based on income received by working spouse, because the spouse receiving the contribution has little or no income – Spouses must file joint tax return – Roth IRA must be maintained separately from working spouse's Roth IRA

[1] When April 15 falls on a public holiday or weekend, the deadline is extended until the next business day

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Option 3: Conversion from Traditional IRA, SEP IRA and SIMPLE IRA	
Eligibility	– Anyone can convert + No income requirement + No income limitation + No age limitation + No limitations on tax filing status + Conversion from SIMPLE IRA cannot be done until at least 2-years after SIMPLE has been funded + Amount must be rollover eligible + Not permitted for inherited IRAs + Spouse beneficiaries who transfer or rollover inherited amounts to 'own' traditional IRA can convert to Roth IRA
Conversion Options	– Direct Conversion + Assets [illegible] directly from traditional IRA, SEP IRA or SIMPLE IRA to custodian of Roth IRA – Indirect Conversion + Assets paid to Roth IRA owner and rolled over to Roth IRA within 60-days of receipt + Once-per-12-month rule does not apply
Reminders	– RMD amounts must be taken **before** conversion – All [illegible] amounts will be taxable – The 10% early distribution penalty does not apply, regardless of the age at which the conversion is done – Income taxes withheld from requested conversion amount are not treated as 'conversion' amounts, and are subject to the 10% early distribution penalty for conversions done while the owner is under age 59 ½, unless an exception applies – Caution: If the Roth IRA owner fails to make a tax withholding election, the withholding will default to [illegible]%

Option 4: Roller/conversion from qualified plans (401(a)) and 403(a), 403(b) and governmental 457(b) plans [non-Roth [illegible]	
Eligibility	– Anyone can convert + No income requirement + No income limitation + No age limitation + No limitation on tax filing status + Individual must meet plan's eligibility requirements for making a withdrawal from the plan, in order to do the rollover + Permitted for spouse and nonspouse beneficiaries + Nonspouse beneficiary must rollover assets to inherited Roth IRAs. Spouse beneficiary can rollover assets to inherited Roth IRA or Roth IRA + Amount must be rollover eligible
Rollover/Conversion Options	– Direct Rollover/Conversion + Assets paid directly from plan to custodian of Roth IRA + Not subject to the 20% mandatory withholding rule – Indirect Rollover/Conversion + Assets paid to Roth IRA owner and rolled over to Roth IRA within 60-days of receipt + Payor must withhold 20% of taxable amount for federal income tax + If payor [illegible] state [illegible] withholding, state tax withholding rules also apply + Once-per-12-month rule does not apply
Reminders	– RMD amounts must be taken **before** conversion/rollover – All pre-tax amounts will be taxable – The 10% early distribution penalty does not apply, regardless of the age at which the conversion is done – Income taxes withheld from requested conversion amount are not treated as 'conversion' amounts, and are subject to the 10% early distribution penalty unless an exception applies

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Option 5: Rollover from Designated Roth Accounts (DRA)/Roth 401(k), Roth 403(b) and Roth Governmental 457(b)	
Eligibility	– Anyone can rollover: • No income requirement • No age limitation • Individual must meet the plan's eligibility requirements for making withdrawals from the plan, in order to do the rollover • Permitted for spouse and nonspouse beneficiaries • Nonspouse beneficiary must rollover to inherited Roth IRAs. • Spouse beneficiary can rollover to inherited Roth IRA or own Roth IRA • Amount must be rollover eligible
Rollover Options	– D[illegible]t Roll[illegible]er • A[illegible]ts [illegible]aid di[illegible]ct[illegible] from pl[illegible] to custodian of Roth IRA • [illegible] the [illegible]% man[illegible] withholding rule – In[illegible] [illegible]ver • Assets paid to Roth [illegible] and rolled over to Roth IRA within 60-days of receipt • If distribution is nonqualified, 20% withholding applies to earnings portion • If distribution is qualified, not subject to the 20% mandatory withholding rule

Option 6: Recha[illegible]cteriza[illegible]on o[illegible] Co[illegible]tribut[illegible]on Made to Traditional IRA	
Eligibility	– Th[illegible] subject to the dollar limit, contribution modified adjusted gross income (MAGI) [illegible] [illegible]gibility , contribution deadline, age Limitation, income requirement, Savers Credit Eligibility [illegible] apply to Regular Roth IRA contribution
Deadline	– Must be completed by tax filing deadline (generally April 15). If tax return or tax filing extension is filed by tax return due date, an automatic 6-month extension applies (generally until October 15)
Reminders	– Th[illegible] contribut[illegible] can [illegible] recharacterized [illegible]nly [illegible] the [illegible] tax year for which it was made in [illegible] IRA – The recharacter[illegible] amount must include [illegible] ne[illegible] income attributable (NIA) to the [illegible] IRS special [illegible] be [illegible] to [illegible]culate NIA

Option 7: Deemed Roth IRA Contribution	
Eligibility	– Same as those that apply to regular Roth IRA contributions (dollar limit, contribution modified adjusted gross income (MAGI) limitation eligibility , contribution deadline, age Li[illegible] requirement, [illegible] Eligibility). See **Option 1.**
Key Features	– Vo[illegible] under a qua[illegible] 401[illegible] 403[illegible] 403(b) and governmental [illegible]7(b) – Mu[illegible] be p[illegible] under th[illegible]

Allocation of Funding- For Purposes of Distribution Ordering Rules	
Category	**F[illegible]ing Sources**
Roth IRA Contributions	• [illegible]r Roth IRA contributions • Ro[illegible]RA Catch-up Contributions • Spousal IRA Contributions • Rollovers from a Roth 401(k) , Roth 403(b) , Roth Governmental 457(b) Plan,, where the rollover amount is basis, i.e. from **(a)** a qualified distribution or **(b)** if the distribution is [illegible]qualified, [illegible] contributions
Conversions	• [illegible] Tra[illegible], SEP and SIMPLE IRA • Rollover fr[illegible] qua[illegible] plan [illegible]), 40[illegible](a) an[illegible] Governmental 457(b) plans
Earnings	• Earnings on all funding sources • Rollover of earnings from a nonqualified distribution from a Roth 401(k) , Roth 403(b), or governmental 457(b) plan

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Frequently Asked Questions

Q: I want to contribute to a Roth IRA only if I am unable to deduct a Traditional IRA contribution. How do I determine if I am eligible to deduct a Traditional IRA contribution?

The first step is to determine if you are an active participant, or married to an active participant.

- If you are not an active participant, and are not married to an active participant, then the Traditional IRA contribution is fully deductible.
- If you are an active participant, or married to an active participant, then the deductibility of the contribution is determined by your modified adjusted gross income (MAGI) and tax-filing status.

The following chart shows the MAGI limits that apply to each tax-filing status, and when a deduction is allowed.

Note: *100% in this ca[illegible] means $5,000, [illegible]less you will [illegible] at least age 50 by 12/31/2010, in which case it means $6,000.*

Tax Filing Status	[illegible]1 MAGI	[illegible] MAGI	Allowed deduction
Single	$5[illegible]0 or less	$56,[illegible]0 or less	100%
	$56,000-$6[illegible],000	[illegible],000	Partial
	$66,000 or more	$66,000 or more	None
Married filing jointly or a qualifying widower, and acti[illegible]	$90,000 or less	$89,000 or less	100%
	[illegible]- $110,000	$89,000- $109,000	Partial
	[illegible]110,0[illegible] or more	$109,000 or more	None
Married filing joint[illegible] Not ac[illegible]e, but spouse is active	[illegible]0 or less	$167,000 or less	100%
	[illegible]169,0[illegible] - $179,000	$167,000-$177,000	Partial
	$179,000 or more	$177,000 or more	None
Married filing separately	Less than $10,000	Less than $10,000	Partial
	$10,000 or more	$10,000 or more	None

If you fall in the mi[illegible] [illegible] e[illegible] for a parti[illegible] deducti[illegible] calc[illegible] [illegible] be done to determine the amount that you are eligibl[illegible] to deduc[illegible] If y[illegible] so [illegible]oose, you [illegible] contribu[illegible] the dedu[illegible] [illegible]unt to your Traditional IRA and the balance to you Ro[illegible] IRA. You[illegible] aggre[illegible] [illegible]ould [illegible] e[illegible] $5,00[illegible] or $[illegible]00 if you are at least age 50 by the end of the year.

Q: If my MAGI fal[illegible] within the phase-out range for Roth contribution eligibility how do I determine the amount I am eligible to contrib[illegible]te?

A: If you use tax-pr[illegible]on [illegible]oftwar[illegible] it [illegible] calc[illegible] [illegible] amount th[illegible] you [illegible] eligi[illegible] [illegible] If you want to calculate the amou[illegible] manuall[illegible] use t[illegible] fo[illegible]owin[illegible] ste[illegible]:

1. Subtract th[illegible] lower dolla[illegible] amount [illegible] the ra[illegible] from your [illegible]
2. Divide the result by the difference between the lower and the higher amounts in the range
3. Multiply the result by the maximum contribution amount in effect for you for the year
4. Subtract the [illegible] from the ma[illegible]mum contribution amount in effect for you for the year

The result is the a[illegible]ount yo[illegible] [illegible] to contribute to a Roth IRA.

For example:

- Assume you are [illegible] age [illegible]0 by [illegible]e end of the year, which makes your maximum contribution $5,000
- Assume also that your MAGI is $108,000 and your tax filing status is single which makes the applicable range $107,000 to $122,000.

Step 1	110,000 - 107,000	= 3000
Step 2	[illegible]3,0[illegible]/(122,0[illegible] -107,000)	=
	[illegible]00[illegible] / 15,000	=[illegible]
Step 3	[illegible]0 X $[illegible],000	= $1,[illegible]00
Step 4	$[illegible]000-[illegible]1,00[illegible]	[illegible]00
You are eligible to contribute $4,000 to you Roth IRA		
Note: If the result is not divisible by $10, round the amount up to the nearest $10		

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Roth IRA Distribution:Tax and Penalty

Appleby IRA Quick Reference Guide

Use this guide to determine if a distribution from a Roth IRA is subject to federal income tax and/or the 10% early distribution penalty.

How to Determine if Your Roth IRA Distribution is Subject to Income Tax and/or the 10% Penalty				
	Source of Distributed Assets	**Is Distribution Qualified ***		**Comments**
		No	**Yes**	
Your distributions come from this source first	• Regular Roth IRA contributions **&** • [illegible]s from Roth 401(k) or Roth 403(b) when the rollover [illegible] basis [illegible] qualified distribution or **(b)** if the distribution is non-qualified, the amount [illegible] to contributions(not earnings)	• Tax Free • Penalty Free	• Tax Free • Penalty Free	• Since **(a)** no deduction was ever received for your regular Roth IRA contributions, and **(b)** a rollover of basis from a Roth 401(k)/Roth 403(b) was already a 'qualified distribution' or represents Roth 401(k) or Roth 403(b) contributions, **then** distributions of these amounts are tax and penalty free, regardless of how soon they are withdrawn.
Your distributions come from this source second on a **First in first out (FIFO) basis.** You never get to this source unless the first source has been depleted	• Taxable Conversions from Traditional, SEP and SIMPLE IRAs **&** • Taxable Rollover from qualified plan, 403(b), 403(a) and 457(b) not including Roth 401(k) and Roth 403(b)	• Tax Free • 10% penalty applies if no exception	• Tax Free • Penalty Free	• If it has been at least five years since the conversion was done, the 10% penalty does not apply to the non-qualified distribution • Taxes do not apply, since any taxable amount was taxed at the time the amount was converted or rolled over to the Roth IRA
	• Nontaxable Conversions from Traditional & SEP IRAs **&** • Nontaxable Rollover from [illegible] plan, 403(b), [illegible] and 457(b) *not including* Roth 401(k) and Roth 403(b)	• Tax Free • Penalty Free	• Tax Free • Penalty Free	• These amounts come from nondeductible contributions to Traditional IRAs and rollovers of after-tax amounts from qualified plans and 403(b) accounts • Since these amounts would not [illegible] subject to the early distribution penalty if they were distributed from a Traditional IRA, they are not subject to the early distribution penalty when withdrawn from the Roth IRA, regardless of how soon they are withdrawn
Your distributions come from this source last	• Earnings on Roth IRA **&** • [illegible] of earnings from a nonqualified distribution from a Roth 401(k) or Roth 403(b)	• Tax applies • 10 % penalty applies if no exception	• Tax Free • Penalty Free	• This includes rollover of earnings from a non-qualified distribution from a Roth 401(k)/Roth 403(b)

**** Qualified Distribution defined:*** **A qualified distribution is one that meets the following two requirements:**

1. The distribution must occur at least five years after your __first__ Roth IRA was funded, and
2. The distribution must occur:
   a) after your death,
   b) as a result of you being disabled,
   c) on or after the day that you reached age 59 ½ , or
   d) if the amount is used towards the acquisition of , construction or reconstruction of a first time home of an eligible individual . This is limited to $10,000 for your lifetime.

If you are eligible for a qualified distribution, then all of your Roth IRA distributions will be tax and penalty-free. As such, there is no need to keep track of the sources of funding for your Roth IRAs, since the only reason to do so is to determine if any amount of the distribution is subject to tax and/or the 10% early distribution penalty.

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Tax and Penalty Determination on Non-qualified Distribution from a Roth IRAs

If a distribution from a Roth IRA is not a qualified distribution, then the ordering rules must be applied to determine how much of the distribution is taxable and/or subject to the 10% early distribution penalty. Under the ordering rules, Roth IRA assets are distributed in the following order:

Order	Source of Funding	Comments
1st	• Regular Roth IRA contributions • Rollover of basis from a Roth 401(k) or Roth 403(b)	• These amounts are always tax-free and penalty-free • *Basis from a Roth IRA or Roth 403(b)* is from **(a)** a qualified distribution *or* **(b)** if the distribution is non-qualified, the amount is attributed to salary deferral contributions to the Roth IRA (not earnings)
2nd	• Roth [illegible] from Tra[illegible] IRAs, [illegible] IR[illegible] and SIM[illegible] IR[illegible] • Roll[illegible] from qualified plans, 403(b) accounts, 457(b) accounts, 403(a) annuities	• Yo[illegible] g[illegible] to the[illegible] [illegible]nts unless all of the amounts in the 1st category [illegible] distribute[illegible] from all of your non-inherited Roth IRAs • These amounts are always tax-free, because any taxes owed were already paid [illegible] the [illegible] of conversion or rollover • If these amounts have been in your Roth IRA for at least five years, they are penalty-free • If these amounts have not been in your Roth IRA for at least five years, the 10 % penalty applies, unless you qualify for an exception.* • Each conversion or rollover has its own five-year clock, and withdrawals cannot be made from a conversion done in a particular year, unless all conversions that occurred in prior years have been fully distributed from the Roth IRA. For example: Distributions from conversions that occurred in 2011 cannot occur until conversions from 2010 an[illegible] previo[illegible] years have [illegible] fully distributed. • If [illegible] conversion [illegible] rollover [illegible] Roth IRA includes pre-tax and after-tax amounts, the pre-tax amo[illegible] a[illegible] distributed first. For instance, if a conversion of [illegible] includes [illegible],000 pre-tax and $20,000 after-tax, distributions will first occur from the $80,000. After that amount has been depleted, distributions will then come from the remaining $[illegible]
3rd	• Ear[illegible] that accrue [illegible] the [illegible] IRA • The earnings a[illegible] for a rollover of a nonqualified distribution from a Roth 401(k) or a Roth 403(b)	• You never [illegible] to the[illegible] amounts [illegible] all [illegible] the amounts in the 2nd category are distributed from [illegible] of your non-inherited Roth IRAs • These amounts are subject to income tax • These amounts are subject to the 10% early distribution penalty unless you qualify for an exception.

***The exceptions t[illegible] the 10% early [illegible]ribution penalty:**

A distribution from a [illegible] IRA [illegible] never subject to the 10% early distribution penalty, if one of the following exceptions is satisfied at the time the distribution occurs:

- You are at least age 59½
- You are dece[illegible]
- You are perma[illegible]ly disabled
- The distribution is part of a substantially equal periodic payment (SEPP)
- The amount is rolled over within 60-days of receipt
- The amount is used for medical expenses that are more than 7.5% of your adjusted gross income (AGI)
- The amount is no more than what it costs you for medical insurance
- The amount is used for qualified higher education expenses
- The distribution is from a conversion that has aged at least five years
- The amount is used buy, build or rebuild a first home
- The distribution is as a result of an IRS levy on the IRA
- The amount is a qualified reservist distribution
- The amount comes from regular contributions or nontaxable conversions/rollovers

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Q: What are the ordering rules for Roth IRA distributions?

A: The ordering rules determine the order of the source of funding from which distributions are taken. Under these rules, distributions occur from funding sources in the following order:

1. **Contributions 1st :** You never get to the next source until these amounts are fully distributed
2. **Conversions and Rollovers 2nd FIFO:** You never get to the next source until these amounts are fully distributed
3. **Earnings 3rd (last) :** You never get to this source until all other amounts are fully distributed

All of your Roth IRAs are aggregated for this purpose (excluding inherited Roth IRAs)

Q: Who is responsible for determining if my Roth IRA distribution is a 'qualified distribution' and if it is not, the source of the distributed funds based on the ordering rules

A: You, as the Roth IRA owner, are responsible for making that determination. It may be a good idea to maintain a database or some form of records to keep track of your source of funding, until you are eligible for a qualified distribution.

Q: My aunt died and left her Roth IRA to me and my four cousins. She had her Roth IRA for less than five years, and we know that distribution amounts attributable to earnings will be taxable if distributed before the five year period. How do we share the responsibility for paying the taxes?

A: Each of you should receive a pro-rata share of each source of funding. Therefore, if you received 1/5th of the Roth IRA, you will pay taxes on 1/5th of the earnings, if the earnings are distributed before the five year period. Bear in mind that you will never get to the earnings unless all the other sources of assets have been distributed from your inherited Roth IRA. ***Note*** *that if you have Roth IRAs that you established and funded on your own the five year period for your own Roth IRAs and the five year period for your beneficiary IRA do not affect each other . The five year period for your own Roth IRAs starts with the year that you fund your first Roth IRA and the five year period for the Roth IRA that you inherit carries over from the decedent. For instance if your Aunt established the Roth IRA that you inherited in 2011 year, the five year period for that IRA starts January 1 of 2011. If you establish your first Roth IRA in 2010, the five year period for your Roth IRA starts January 1 of 2010.*

Q: I made my first contribution to my Roth IRA in June of last year, but I removed the contribution and the amount of earnings attributed to the contribution on April 15 of this year. In March 15 of this year, I made another contribution for this year, which will remain in the account. I do not have any other Roth IRAs. When does my five year period start for purposes of determining if my Roth IRA distribution is qualified.

A: Contributions that are removed from your Roth IRA by your tax-filing deadline, plus extensions for the year for which the contribution was made are not counted for purposes of the five year rule. Therefore, your five-year period starts January 1 of this year.

Q: I had already met the requirements for a qualified distribution from my Roth 401(k) account. I established my first Roth IRA this year and rolled over the balance from my Roth 401(k) to my newly established Roth IRA. Does the five year period for my Roth 401(k) carry over to my Roth IRA?

A: No. The five year period for your Roth 401(k) is independent of the five year period for your Roth IRA. Therefore, since your first Roth IRA was funded this year, your five year period for determining if a distribution from any of your Roth IRAs is qualified starts January 1 of this year.

Q: I made a contribution to my Roth IRA on April 15 of this year, but it was [illegible] for last year. I also converted $50,000 to the same Roth IRA this year. How does this affect the five-year period?

A: For purposes of determining if your Roth IRA distribution is a qualified distribution, the five year period starts January 1 of last year, because that is the first year <u>**for**</u> which a Roth contribution or conversion occurred in any of your Roth IRAs. If your distribution is not qualified, and you need to withdraw amounts from your Roth conversions (which can occur only if you have already withdrawn all of your contributions), the five year period for that conversion starts January 1 of this year.

Q: I had a balance of $100,000 in my Traditional IRA of which $20,000 was attributed to nondeductible Traditional IRA contributions. I converted $20,000 from my Traditional IRA to my Roth IRA earlier this year. Can I treat the entire conversion as nontaxable? If not, how does that affect distributions from my Roth IRA?

A: Whenever an individual has after-tax amounts in a Traditional IRA, any conversion from that Traditional IRA will include a pro-rated amount of pre-tax and after-tax assets. This rule applies even if you had the nontaxable amounts in a separate IRA, as all of your Traditional IRAs, SEP IRAs and SIMPLE IRAs are treated as one IRA for this purpose. Using your figures, this means that your conversion of $20,000 includes a pre-tax amount of $16,000 and after-tax amount of $4,000. If you take distributions from your Roth IRA and the distribution includes conversion amounts (see page 2), your distribution will come from the pre-tax amount of $16,000 first and then from the after-tax amount of $4,000. If the distribution is nonqualified, and you do not qualify for an exception to the 10 % early distribution penalty, you will pay the penalty on any distribution amount from the $16,000.

Example: Assume that your Roth IRA includes the following amounts:

- $5,000 regular [illegible] $20,000 conversion [illegible] include [illegible] taxable and $4,000 nontaxable from your Traditional IRA) when the conversion was done last year + $1,[illegible]00 earnings
- **Scenario 1:** You take [illegible] distribution [illegible] from your Roth IRA.
  - This will be tax and penalty-free because it is from your contributions, based on the ordering rules.
- **Scenario 2:** You take a non-qualified distribution of $14,000 from your Roth IRA.
  - $5,000 will be tax and penalty-free, because it is from your contributions, based on the ordering rules.
  - $9,000 will be treated as coming from the $16,000 of the $20,000 that was taxed when the conversion was done so [illegible] be [illegible] but [illegible] subject to the 10% early distribution penalty, unless **(a)** the distribution occurs five years after the conversion occurred or **(b)** you qualify for one of the exceptions to the penalty.
- **Scenario 3:** You take a non-qualified distribution of $25,000.
  - $5,000 will be tax and penalty-free, because it is from your contributions, based on the ordering rules.
  - $16,000 is treated as having been taken from the taxable amount of the $20,000 that was converted, so it will be tax-free, but will be subject to the 10% early distribution penalty, unless **(a)** the distribution occurs five years after the conversion occurred or **(b)** you qualify for one of the exceptions to the penalty.
  - $4,000 [illegible] treated as having been taken from the nontaxable portion of the $20,000 that was converted, so it will be tax-free and penalty-free.
- **Scenario 4:** You take a non-qualified distribution of $[illegible],000.
  - $5,000 will be tax and penalty-free, because it is from your contributions, based on the ordering rules.
  - $16,000 is treated as having been taken from the taxable amount of the $20,000 that was converted, so it will be tax-free, but will be subject to the 10% early distribution penalty, unless **(a)** the distribution occurs five years after the conversion occurred or **(b)** you qualify for one of the exceptions to the penalty.
  - $4,000 will be treated as having been taken from the nontaxable portion of the $20,000 that was converted, so it will be tax-free and penalty-free.
  - $1,000 [illegible] treated as coming from the earnings and will be subject to income tax. [illegible] also be subject to the 10% early distribution penalty unless you qualify for one of the exceptions to the penalty.

Important: *Conversions of after-tax amounts are tax-free conversions. In order to ensure you do not pay taxes on the $4,000, you must file IRS Form 8606. Form 8606 helps you to compute the non-taxable amount of the conversion, and lets the IRS know how much of the conversion is nontaxable. You must include a completed IRS Form 8606 when you file your tax return for the year that the conversion is done.*

Q: I rolled over a nonqualified distribution from my Roth 401(k) to my Roth IRA, which represented my entire Roth 401(k) balance. However, the amount had lost market value and was less than the total contributions I made over the years. How does this affect the ordering rules for my Roth IRA?

A: You are allowed to recover your basis from your Roth IRA. For instance, if your aggregate contributions to your Roth 401(k) was $50,000, but the account value was $40,000 when you rolled over the account balance to your Roth IRA, you are allowed to treat up to $10,000 of your Roth IRA earnings as Roth IRA contributions for the purpose of the ordering rules. Keep a record of [illegible] your Roth IRA, and [illegible] amount that should not be taxed or be subject to the 10% penalty.

Your Roth IRA be[illegible] th[illegible] Rollo[illegible]		[illegible]our R[illegible]th 40[illegible] balance	
Contributions	[illegible]0,0[illegible]	Co[illegible]tributio[illegible]	$50,000
Conversions	$50,000	Earnings/losses	($10,000)
Earnings	$5,000	Amount rolled over to your Roth IRA	$40,000

Using these numbers, up to $10,000 of the earnings in your Roth IRA will be tax and penalty-free, regardless of whether the distribution is qualified or not.

USD $19.79

Roth IRA Vs Traditional IRA

Appleby IRA Quick Reference Guide

Use this guide to determine the key differences between a Traditional IRA and a Roth IRA. This will provide some guidelines on determining individual eligibility and/or preference.

Roth Vs Traditional IRA – For Calendar Year 2011						
	Roth IRA			Traditional IRA		
Regular contribution	$5,000			$5,000		
Catch-up contribution	$1,000			$1,000		
Contribution eligibility (in addition to being required to have eligi[illegible] compensation/incom[illegible]	**Tax filing Status**	**MAGI**	**Allowed amount**	Any individual who is under age 70 ½ at the end of the year.		
	[illegible]gle	$[illegible]7,000 [illegible] le[illegible]	[illegible]0%			
		$[illegible]7,000 - $1[illegible]2,000	P[illegible]rtial			
		[illegible]2,0[illegible] [illegible]	[illegible]ne			
	M[illegible] filing jointly	$[illegible]69,[illegible] [illegible] less	[illegible]0%			
		$169,000 - $179,000	Partial			
		$179,000 or more	None			
	Married filing [illegible]parately	Less than $10,000	Partial			
		$[illegible] or more	None			
Contribution deadline	[illegible]pril 16[illegible] 2012			April 16 [1], 2012		
Deductibility • For Traditional IRAs, contributions are 100% deductible, if the individual is not an active participant or is married to a[illegible] active participant • The limits shown [illegible] the Traditional IR[illegible] column are for active participants	[illegible]ributions [illegible] [illegible]uctible			**Tax filing Status**	**MAGI**	**Allowed deduction**
				Single	$56,000 or less	100%
					$56,000 - $66,000	Partial
					$66,000 or more	None
				Married filing jointly a[illegible] active	$90,000 or less	100%
					$90,000- $110,000	Partial
					$110,000 or more	None
				Mar[illegible] filin[illegible] jointly, not active, but spouse is active	$169,000 or less	100%
					$169,000- $179,000	Partial
					$179,000 or more	None
				M[illegible] filing separately	Less [illegible] $[illegible],000	Partial
					$10,0[illegible] or more	None
Age Limitation	No A[illegible] limita[illegible]on [illegible] co[illegible]butions			No co[illegible]ns allowed **for** [illegible] year taxpayer [illegible] 70 ½ and [illegible]		
Source of funding	IRA Participant Contributions			IRA Participant Contributions		
	Rollover and transfers from other Roth IRAs			Rollover and Transfers from other Traditional IRAs, SEP and SIMPLE IRAs		
	[illegible]pousal IRA co[illegible]ntributions			Spousal IRA contributions		
	Co[illegible] from traditional, SEP and SIMPLE IRA[illegible] [illegible] q[illegible]ed plans, 401(k), 403(b)s, 403(a) pl[illegible] [illegible] go[illegible]mental 457(b) plans [including Roth 40[illegible](k), 40[illegible](b) and gov't 457(b) plans]			Rollovers from traditional qualified plans, 401(k), 403(b), 403(a) and governmental 457(b) plans		
				SEP IRA employer contributions. Financial institution may require account to be SEP-IRA		
Tax Credit	Available for Saver's Tax Credit			Available for Saver's Tax Credit		
Treatment of earnings on IRA investments	Earnings grow on a tax-deferred basis. However, qualified [illegible] of earnings are tax-fre[illegible] [illegible]n-qualified distributions o[illegible] earnings a[illegible] [illegible]			Earnings grow on a tax-deferred basis. Earnings [illegible] taxable income for the year distributed		
Distributions Rules	D[illegible] may be [illegible]ken a[illegible]ime. Dis[illegible] [illegible] qualified.			Distri[illegible]tions may be taken at anytime. Amounts will be tre[illegible] [illegible]rdinary income, and will be subject to the early distribution penalty if withdrawn while under the age of 59 ½ , unless an exception applies		
Required Minimum Distribution(RMD)	Owners are not subject to the RMD rules. Beneficiaries are subject to RMD rules.			IRA owners must begin taking RMDs, as of April 1 of the year following the year they reach age 70 ½ Beneficiaries are also subject to RMD rules.		

[1] When April 15 falls on a public holiday or weekend, the deadline is extended until the next business day

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Retirement Account Related Terms are defined at www.retirementdictionary

Frequently Asked Questions

Q: I made a contribution to my Traditional IRA and later realized that I am ineligible to deduct the amount. Can I have it reversed and contributed to my Roth IRA?

A: Yes. You can change the character of your IRA contribution from a Traditional IRA contribution to a Roth IRA contribution by recharacterizing the amount. The recharacterization must include any net-income-attributable (NIA) to the contribution. This means that the amount recharacterized must have attributable earnings added or losses subtracted. The original contribution to the Traditional IRA should be reported on IRS Form 5498. For the recharacterization, a 1099-R should be issued for the amount moved from the Traditional IRA and a 5498 should be issued for the amount recharacterized as a credit to the Roth IRA.

Note: A contribution can also be recharacterized from a Roth IRA to a Traditional IRA, if you find out that the eligibility requirements for the Roth IRA contribution were not met, or simply because you prefer to treat the amount as a Traditional IRA contribution.

Q: How is the NIA calculated on the amount being recharacterized?

A: Consult your IRA custodian to determine if they will assist you with the calculation. If not, use the IRS provided formula available in IRS Publication 590 which can be found at www.irs.gov.

Q: Can I recharacterize only a percentage of the contribution made to my Traditional IRA?

A: Yes. The amounts being recharacterized must include any NIA to the percentage being recharacterized. For instance, if only 50% of the contribution is being recharacterized, then NIA attributable to that 50% must be recharacterized.

Q: What is the deadline for recharacterizing my IRA contribution?

A: An IRA contribution must be recharacterized by your tax-filing deadline including extensions. If you file your tax return by your tax-filing due date, you receive an automatic extension of 6-months (usually until October 15) to recharacterize your IRA contribution. [illegible] if the contribution is for the [illegible] tax year, it must be recharacterized by October 15, 2012.

Q: I recharacterized a Roth IRA contribution to a Traditional IRA contribution in December of last year. Can it be reversed?

A: No. Once a recharacterization is processed, it is irrevocable.

Q: If I missed the deadline to recharacterize my Traditional IRA contribution to a Roth IRA, what are my alternatives?

A: You can do either of the following:

- Leave the amount in the Traditional IRA as a deductible contribution if you are eligible to claim the deduction.
- Leave the amount in the Traditional IRA as a non-deductible contribution, either because you want to treat it as a nondeductible contribution, or because you are ineligible to claim the deduction. If you treat it as a nondeductible contribution, you must file IRS Form 8606, to inform the IRS that the contribution is non-deductible. Form 8606 also keeps track of these amounts for tax purposes, therefore ensuring that they are not taxed upon distribution.
- Convert the amount to a Roth IRA, if eligible. Any taxable portion of the conversion would be treated ordinary income for the year that the conversion occurs.

Q: I made a contribution to my Traditional IRA for this year. Can I recharacterize the contribution for another year?

A: No, a recharacterization must be done for the same year for which the contribution was made. Therefore, if your contribution was made for this year, it can only be recharacterized as a Roth IRA contribution for this year.

Q: How should I make the election to recharacterize a contribution to an IRA?

You should notify your IRA custodian in writing indicating that you are electing to recharacterize the contribution, on or before the deadline which applies. The notification of the election must include the following information:

- the type and amount of the contribution that is to be recharacterized,
- the date on which the contribution was made to the IRA and the year for which it was made
- the account numbers between which the re-characterization should occur, and
- any additional information needed to effect the transfer.

Check with your Custodian to determine if they have any additional requirements.

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Q: I invested my Roth IRA contribution of $6,000 in XYZ stocks, and have since sold those stocks and purchased some others. I have subsequently realized that I am ineligible for the Roth IRA contribution and would like to recharacterize the amount to my Traditional IRA. Do I need to recharacterize the XYZ stocks?

A: No, you do not. When you calculate the NIA amount and add that amount to your Roth IRA contribution (or subtract the amount in the case of a loss), you simply need to recharacterize the total value ([contribution + NIA] or [contribution- NIA]). The new value can be recharacterized in cash, other assets, or a combination of cash and other assets. If the contribution is the only amount that was ever added to your Roth IRA, simply recharacterizing the entire balance- without the need to calculate the NIA- would be sufficient.

Q: How do I determine if I am eligible to contribute to a Roth IRA?

A: You should have [illegible] compensation, and [illegible] adjusted [illegible] income (MAGI) should not exceed the amount indicated [illegible] the [illegible] page [illegible]

Q: I am 45 years [illegible] and [illegible] contribution of up to $ 2,[illegible]00 to a Roth IRA. Can I contribute the difference to a Tra[illegible]IRA?

A: Yes. You may contribute the difference of $3,000 ($5,000- $2,000) to your Traditional IRA. In fact, many individuals split their IRA contributions between both types of IRAs, in order to reap the benefits from both types of IRAs, i.e. the deductibility for the [illegible] contribution [illegible] eligible, and the potential tax-free growth of the Roth IRA.

Q: Can I contribut[illegible] $5,000 [illegible] my Tra[illegible] IRA and an additional $5,000 to my Roth IRA?

A: No. The contrib[illegible] limit [illegible] 'per-individual' [illegible], not a per-IRA limit. Therefore, the aggregate contributions cannot exceed $5,000 or $6,000 if you reach age 50 by year-end 2011.

Q: I understand some individuals may be eligible for Saver's Tax Credit for contributions they make to their IRA. What are the requ[illegible] credit?

A: In order to be e[illegible] tax [illegible] individual's [illegible] income [illegible] must fall within the ranges indicated in the chart below. [illegible] applic[illegible] percentage of the [illegible] is also indicated.

2011 AGI Thresholds for the Saver's Credit						
Credit Rate	Married and files a joint return		Files as head of household		Other category of filers	
	AGI Over	AGI Not Over	AGI Over	AGI Not Over	AGI Over	AGI Not Over
50%	[illegible]	[illegible]	[illegible]	[illegible]	$0	$17,000
20%	[illegible]	[illegible]	$25,500	[illegible]	[illegible]	$18,250
10%	[illegible]	[illegible]	$27,375	[illegible]	[illegible]	$28,250
0%	$56,500		$42,375		$28,250	

Other requirements for [illegible] the credit apply. These include the following:

- The in[illegible] at least 18 years of age the year for which the credit is claimed
- The individual [illegible] claimed as a dependent on someone else's tax return
- The in[illegible] fulltime student

Refer to IRS Form 8880 to determine the amount of credit for which the individual is eligible. Individuals who claim the credit should file a copy along with their tax returns.

Distributions Can Red[illegible] the Saver's Credit

Certain distributions [illegible] the individual [illegible] spouse can re[illegible] the contribution eligible for the savers credit. These include any [illegible] distributions from [illegible] IRA:

- That are [illegible] the year that the credit is claimed
- During the two preceding years, or
- During the period after the end of the year for which the credit is claimed and before the due date for filing the individual's tax return for that year.

A distribution from a Roth IRA that is not rolled over is taken into account for this reduction, even if the distribution is not taxable. Additional details on the Saver's Credit can be found in IRS Announcement 2001-106, which along with the instructions for Form 8880 and IRS Publication 590, are all available at www.irs.gov.

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Q: I want to contribute to a Roth IRA only if I am unable to deduct a Traditional IRA contribution. How do I determine if I am eligible to deduct a Traditional IRA contribution?

The first step is to determine if you are an active participant, or married to an active participant.

- If you are not an active participant, and are not married to an active participant, then the Traditional IRA contribution is fully deductible.
- If you are an active participant, or married to an active participant, then the deductibility of the contribution is determined by your modified adjusted gross income (MAGI) and tax-filing status.

The following chart shows the MAGI limits that apply to each tax-filing status, and when a deduction is allowed.

Note: *100% in this case means $5,000, unless you will be at least age 50 by 12/31/2010, in which case it means $6,000*

Tax Filing Status	2011 MAGI	2010 MAGI	Allowed deduction
Single	$5[illegible] or less	$56,[illegible] or less	100%
	$5[illegible] - $6[illegible],000	$56,[illegible] - $66,000	Partial
	$66,000 or more	$66,000 or more	None
Married filing jointly or a qualifying widower, and active	$90,000 or less	$89,000 or less	100%
	$90,000- $110,000	$89,000- $109,000	Partial
	$110,0[illegible] or more	$109,000 or more	None
Married filing joint[illegible] Not active, but spouse is active	[illegible] or less	$167,000 or less	100%
	[illegible] - $179,000	$167,000-$177,000	Partial
	$179,0[illegible] or more	$177,000 or more	None
Married filing separately	Less than $10,000	Less than $10,000	Partial
	$10,000 or more	$10,000 or more	None

If you fall in the mi[illegible], [illegible] you [illegible] e[illegible]ble for a partial de[illegible]ct[illegible]n, a calc[illegible] mus[illegible] be done to determine the amount that you are eligible to de[illegible]. If you so [illegible], you can contribute the deductible [illegible] to your Traditional IRA and the balance to you Ro[illegible] IRA. You[illegible] agg[illegible]gate contribution [illegible] exceed $5,0[illegible] or $[illegible],000 if you are at least age 50 by the end of the year.

Q: If my MAGI falls within the phase-out range for Roth contribution eligibility how do I determine the amount I am eligible to contribute?

A: If you use tax-pre[illegible] software it should [illegible] the amount th[illegible] you are [illegible] to cont[illegible]. [illegible] you want to calculate the amou[illegible] use t[illegible] fo[illegible]

1. Subtract th[illegible] lower do[illegible] amount [illegible] the [illegible] from you[illegible] MAGI
2. Divide the [illegible] by the [illegible] between the lower and [illegible] higher [illegible]
3. Multiply the result by the maximum contribution amount in effect for you for the year
4. Subtract the result from the maximum contribution amount in effect for you for the year

The result is the am[illegible] to contribute to a Roth IRA.

For example:

- Assume you a[illegible] under [illegible] end of the year, which makes your maximum contribution $5,000
- Assume also th[illegible] is $1[illegible],000 and your tax filing status is single which makes the applicable range $107,000 to $122,000

Step 1	110,000 - 107,000	= 3000
Step 2	3,000/(122,000 -107,000) =	
	300[illegible]/15,[illegible]	=0.[illegible]
Step 3	[illegible] X $5,00[illegible]	= $[illegible]
Step 4	[illegible]	=$4,[illegible]
You are eligible to c[illegible] $4,[illegible]		
Note If the result is not divisible by $10, round the amount up to the nearest $10		