

The IRA Authority

IRA & Employer Plan Rules, News, and Tips In Plain Language

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Roth IRA Conversions: Back to Basics

2010 promises to be a landmark year for Roth IRAs, because everyone is now eligible to fund a Roth IRA through a qualified rollover contribution. *By definition, qualified rollover contributions are conversions from traditional IRAs, SEP IRAs and SIMPLE IRAs; and rollovers from employer plans to Roth IRAs. For the purpose of this article, we will refer to both of these transactions as 'Roth IRA conversions'.* To help you prepare for the questions you will likely receive from your clients about Roth IRA conversions; we take you back to the basics on the governing rules.

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IRA Calendar:

February 1, 2010- Deadline for financial institutions to issue:

- *IRS Form 1099-Rs* for clients who had distributions, Roth conversions and recharacterizations in 2009
- *Fair market value (FMV) statements for IRAs*, showing the FMV for December 31, 2009.
- *Provide required minimum distribution (RMD) statements* to owners of traditional IRAs, SEP IRAs and SIMPLE IRAs who are required to take RMDs for 2010. The RMD statement must either include the RMD amount or an offer to calculate the amount upon request. This requirement does not apply to Inherited IRAs.

April 15, 2010- Deadline to:

- **Make IRA contributions for 2009.** Extensions do not apply. If you receive contributions from your clients (whether by hand delivery or by mail) and you are not able to process the transaction immediately, be sure to date stamp the instrument upon receipt. This will help to protect you and the client in the event the contribution is not processed by April 15.
- **Establish and fund SEP IRA for 2009:** Extensions apply. Clients can contribute up to 25% of compensation up to \$49,000 for 2009 for each participant. ■

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SBO Clients Can Still Fund a Retirement Plan for 2009

Do you have Small Business Owner (SBO) clients who missed the December 31 deadline for establishing a qualified plan for 2009? Consider recommending a SEP IRA for those who still want to fund a retirement plan for 2009. SEP contributions can be up to 25% of each participant's compensation, subject to a dollar limit of \$49,000.

The deadline for establishing a SEP IRA is the tax filing deadline of the business, including extensions. SEP IRA contributions are subject to this same deadline, which means your clients can still fund a SEP IRA for the 2009 year.

A SEP IRA Is Easy to Establish

Unlike qualified plans which usually require the completion of complicated and extensive paperwork, establishing a SEP IRA can be accomplished by completing a few lines on a one page document. If any of your clients want to establish SEP IRAs, the following steps should be taken:

- **Complete the SEP IRA Adoption agreement:**

Many financial institutions use the [IRS Model 5305 SEP agreement](#), and simply brand it with their logo and business name. This 5305-SEP form includes a short list of business owners who are not eligible to use the form. Be sure to review the list with your client, to determine if his business is included in the list.

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