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The 2004 IRS Form 5498

This newsletter contains a number of articles discussing the 2004 IRS Form 5498. The chart below lists the various form types and due dates. We have also reproduced the specific discussion for HSA 5498 reporting.

Type of IRA	Type of Form	Due to IRA Owner	Due to IRS
Traditional	5498	5/31/05	5/31/05
Roth	5498	5/31/05	5/31/05
HSA	5498-SA	5/31/05	5/31/05
CESA	5498-ESA	5/02/05	5/31/05

Inherited IRAs and Checkbox 11 (Required Minimum Distribution) on Form 5498

Is an IRA custodian required to check box 11 on the 2004 Form 5498, if the IRA in question is an inherited IRA? The answer is, "No." Box 11 need not be checked to notify an inheriting beneficiary that they must take an RMD for the year in question.

The specific IRS instructions for the IRA custodian for the 2004 Form 5498 page R-11, read as follows: "**Required minimum distributions (RMDs).** An IRA (other than a Roth IRA) owner/participant must begin taking distributions for each calendar year beginning with the calendar year in which the participant attains age 70½. The distribution for the 70½ year must be made no later than April 1 of the following calendar year; RMDs for any other year must be made no later than December 31 of the year.

For each IRA you held as of December 31 of the prior year, if an RMD is required for the year, you must provide a statement to the IRA partici-

pant by January 31 regarding the RMD using one of two alternative methods described below. You are not required to use the same method for all IRA participants; you can use Alternative one for some IRA participants and Alternative two for the rest. Under both methods, the statement must inform the participant that you are reporting to the IRS that an RMD is required for the year. The statement can be provided in conjunction with the statement of the FMV.

If the IRA participant is deceased, and the surviving spouse is the sole beneficiary, special rules apply for RMD reporting. If the surviving spouse elects to treat the IRA as the spouse's own, then report with the surviving spouse as the owner. However, if the surviving spouse does not elect to treat the IRA as the spouse's own, then you may continue to treat the surviving spouse as a benefici-

**Inherited IRAs and Checkbox 11,
Continued from page 1**

ary. Until further guidance is issued, **no reporting is required for IRAs of deceased participants** (except where the surviving spouse elects to treat the IRA as the spouse's own, as described above). (Emphasis added.)

Alternative one. Under this method, include in the statement the amount of the RMD with respect to the IRA for the calendar year and the date by which the distribution must be made. The amount may be calculated assuming the sole beneficiary of the IRA is not a spouse more than 10 years younger than the participant. Use the value of the account as of December 31 of the prior year to compute the amount. See Box 11 on page R-13 for how to report.

Alternative two. Under this method, the statement informs the participant that a minimum distribution with respect to the IRA is required for the calendar year and the date by which such amount must be distributed. You must include an offer to furnish the participant with a calculation of the amount of the RMD if requested by the participant.

Box 11 (from page R-13). Check the box if the participant must take a required minimum distribution (RMD) for 2005. You are required to check the box for the year in which the IRA participant reaches age 70½ even though the RMD for that year need not be made until April 1 of the following year. Then check the box for each subsequent year an RMD is required to be made.

On Form 5498, or in a separate statement, report the information required by **Alternative one** or **Alternative two** (see page R-11). To determine the RMD, see the regulations under sections 401(a)(9) and 408(a)(6) and (b)(3). If you use Form 5498 to report the additional information under Alternative one, enter the amount and date in the blank box to the left of Box 10 on the form."

Box 11 (from the instructions to the Form 5498 recipient) "If the box is checked, you must take a required minimum distribution (RMD) for 2005. An RMD may be required even if the box is not checked. The amount or offer to compute the amount, and date of the RMD will be furnished to you by January 31 either on Form 5498 (in the blank box to the left of box 10) or in a separate statement. If you don't take the

RMD for 2005, you are subject to a 50% excise tax on the amount not distributed. See Pub. 590 for details."

CWF additional comments: It is not required that an IRA custodian check Box 11 of the 2004 Form 5498 to notify inheriting beneficiaries that they must take an RMD for 2005. However, IRA custodians must be aware that in the situation where a surviving spouse who is the sole beneficiary of their deceased spouse's IRA elects to treat such IRA as their own, it is no longer considered an inherited IRA. It is the IRA of the surviving spouse, and an RMD notice, if applicable, must be sent.

Form 5498 is also allowed to serve as the RMD notice for custodians using Alternative one. Box 11 would be checked, and the blank box to the left of box 10 would be completed with the RMD amount and the date by which this amount must be withdrawn by the account-holder.

Although clearly the IRS does not require that an inheriting beneficiary be given notice that they must take an RMD amount, CWF highly recommends sending such notice for two reasons: (1) it is good customer service, and (2) in the case of a beneficiary using the life-distribution rule, an RMD is generally required to be taken for each year after the year of death, and the financial institution's liability would be limited in the situation where the beneficiary did not take the required distribution timely. There is no IRS rule stating that a custodian should not or must not send such notice to inheriting beneficiaries.

2004		VOID		CORRECTED	
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2-4 and 8-10)		OMB No. 1545-0047	
		\$		2004	
		2 Rollover contributions		Form 5498	
		\$			
TRUSTEE'S or ISSUER'S (if different from box 1)		3 Roth IRA conversion amount		4 Rollover contributions	
PARTICIPANT'S name		5 Fair market value of account		6 Life insurance cost (include in box 1)	
		\$		\$	
Street address (including apt. no.)		7 IRA SEP SIMPLE Roth IRA			
		8 SEP contributions		9 SIMPLE contributions	
City, state, and ZIP code		\$		\$	
Account number (optional)		10 Roth IRA contributions		11 Check if RMD for 2005	
		\$			

Form 5498 Cat. No. 50010C Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Completing the 2004 Form 5498-SA

☐ CORRECTED (if checked)

TRUSTEE'S name, street address, city, state, and ZIP code		1 Employee or self-employed person's Archer MSA contributions made in 2004 and 2005 for 2004	OMB No. 1545-1518	HSA, Archer MSA, or Medicare-Choice MSA Information
		2 Total contributions made in 2004	2004	
TRUSTEE'S Federal identification number		3 Total HSA or Archer MSA contributions made in 2005 for 2004		
PARTICIPANT'S social security number				
PARTICIPANT'S name		4 Rollover contributions	5 Fair market value of HSA, Archer MSA, or M+C MSA	Copy B For Participant The information in boxes 1 through 6 is being furnished to the Internal Revenue Service.
Street address (including apt. no.)		6 HSA <input type="checkbox"/>		
City, state, and ZIP code		Archer MSA <input type="checkbox"/>		
Account number (optional)		M+C MSA <input type="checkbox"/>		

Form 5498-SA (Keep for your records) Department of the Treasury - Internal Revenue Service

☐ CORRECTED (if checked)

TRUSTEE'S name, street address, city, state, and ZIP code		1 Employee or self-employed person's Archer MSA contributions made in 2005 and 2006 for 2005	OMB No. 1545-1518	HSA, Archer MSA, or Medicare Advantage MSA Information
		2 Total contributions made in 2005	2005	
TRUSTEE'S Federal identification number		3 Total HSA or Archer MSA contributions made in 2005 for 2005		
PARTICIPANT'S social security number				
PARTICIPANT'S name		4 Rollover contributions	5 Fair market value of HSA, Archer MSA, or MA MSA	Copy B For Participant The information in boxes 1 through 6 is being furnished to the Internal Revenue Service.
Street address (including apt. no.)		6 HSA <input type="checkbox"/>		
City, state, and ZIP code		Archer MSA <input type="checkbox"/>		
Account number (see instructions)		MA MSA <input type="checkbox"/>		

Form 5498-SA (Keep for your records) Department of the Treasury - Internal Revenue Service

As with the 2004 Form 1099-SA, completing the Form 5498-SA is, for the most part, self evident. This form is used either to report contribution activity to an HSA or to one of the two types of MSAs. This article discusses completing the form for HSA contributions. It does not discuss completing the form for MSA purposes.

Set forth below are the IRS instructions as modified by CWF.

1. Statements to participants. If you are required to file Form 5498-SA, you must provide a statement to the participant (generally Copy B) by May 31, 2005. You may, but you are not required to, provide participants with a statement of the December 31, 2004, fair market value.
2. Box 1 will not need to be completed for an HSA, since it applies only to MSA contributions.
3. Box 2 is to be completed with the total of HSA contributions made in 2004.
4. Box 3 is to be completed with the total of HSA contributions made in 2005 for 2004.
5. Box 4 is to be completed with the total of rollover contributions as originating from an Archer MSA, or an HSA to an HSA, as received by the HSA custodian during 2004.

6. Box 5 is to be completed with the fair market value of the HSA on December 31, 2004.

7. Box 6 – simply check the “HSA” box.

As with the 2005 Form 1099-SA, the 2005 Form 5498-SA has the special instruction on the account number box in the lower left-hand corner.

The instructions state: The account number is required if you have multiple accounts for a recipient for whom you are filing more than one Form 5498-SA. Additionally, the IRS encourages you to designate an account number for all Forms 5498-SA that you file.

Question and Answer

Question: Is an IRA custodian required to furnish a 2004 Form 5498 to an IRA accountholder who attains age 70½ or older in 2005, if a complying RMD notice was furnished in January of 2005, and the accountholder had not made any reportable contributions during or for 2004?

Answer: An IRA custodian is **not** required to furnish a 2004 Form 5498 to IRA accountholders age 70½ and older who made no reportable contributions, as long as the IRA custodian furnished a complying FMV notice and a complying RMD notice. Such notice may be a combined notice, but separate notices are also complying.

The IRS instructions expressly give an answer to this question. On page R-12 the statement is made, “If you (the IRA custodian) furnished a statement of FMV of the account, and **RMD notice, if applicable**, to the IRA accountholder by January 31, 2005, and no reportable contributions, including rollovers, recharacterizations or Roth IRA conversions were made for 2004, you need not furnish another statement (or Form 5498) to the participant to report zero contributions. However, you must file Form 5498 with the IRS by May 31, 2005, to report the December 31, 2004 FMV of the account.”

To be complying, the 2005 RMD notice must inform the IRA accountholder that the IRA custodian is reporting to the IRS that an RMD is required for 2005. CWF has written its 2005 RMD notice to make clear that an IRA custodian will indicate on the 2004 Form 5498 that an RMD is required for 2005.

Additional Discussion of Automatic Rollover Rules

Some additional issues have arisen concerning the new automatic rollover rules which were discussed in CWF's December 2004 newsletter. The IRS has issued some clarification in a regulation released in a recent Federal Bulletin.

State laws on signature requirements —

The DOL stated that this subject was beyond the scope of the regulation.

State laws on escheat —

The DOL stated that this subject also was beyond the scope of the regulation. However, CWF's IRA Procedures Manual discusses this subject on pages 15-26 through 15-30. We believe this discussion is still accurate.

Laws under the US Patriot Act —

The US Treasury, along with other functional Federal Regulators, have interpreted the requirements for the CIP (Customer Information Program) as follows. An institution need only comply with the CIP requirements at the time a former participant or beneficiary first contacts the institution to assert ownership or exercise control over the IRA account as established by an employer. The requirements do not apply to the plan administrator when the account is established.

Laws under section 404(c)(3) of ERISA (the statutory language for self-directed accounts) —

The DOL is taking the position that a participant is considered as exercising control over the assets of the IRA immediately following the rollover of funds by the employer into the IRA.

Missing participant issue —

Can an employer set up an IRA for a missing participant using the last known name/address? It appears the DOL is not ready to reach that conclusion. Additional guidance will need to be issued.

Beneficiary Designation —

How is the beneficiary designation impacted when funds are rolled from a QP to an IRA? The DOL has taken the position that when the funds are rolled from the qualified plan to an IRA, the individual's status as a plan participant ends, and the funds cease to be plan

assets. Therefore, the beneficiary designation under the qualified plan ceases to control. The IRA plan document provisions dealing with the designation of beneficiaries will control.

CWF will keep you informed of rule and regulation changes or additions concerning automatic rollovers. We will soon be sending our qualified plan customers notice of the amendment we will have available.

A Planning Technique

Assume the following — An individual recently attained age 59½. He currently has \$80,000 in a 401(k) plan. The plan allows him to take distributions from the 401(k) plan once he has attained age 59½ and older. He intends to keep working for another five to ten years. He is considering taking a partial distribution of \$10,000 from the 401(k) plan for each of the next 10 years, rolling such funds into a traditional IRA and then converting such amounts into a Roth IRA. He is also considering having he and his wife make annual contributions to a Roth IRA. If he could, he would like his wife to have as much as possible in her Roth IRA.

Is there a way for the wife to fund her own Roth IRA? Is there a way for the husband to fund his wife's IRA?

If the wife does not have any funds in a 401(k) plan or in a Roth IRA, the only way for her to do so will be to make spousal contributions. The contribution limit for 2005 is \$4,500, and the contribution limit for 2006 will be \$5,000.

Can the husband convert some of his 401(k) funds into a Roth IRA for his wife? The answer is, "No." It is permissible for him to convert funds from his traditional IRA to his own Roth IRA. However, there is no authority to move funds from his 401(k) plan into a Roth IRA for his wife. The only situations under which the wife would have access to these 401(k) funds is through divorce or if the husband were to die.

If the husband would directly roll over \$10,000 from his 401(k) plan into his traditional IRA, and then take a distribution of \$10,000, he could convert \$5,500 to a Roth IRA, and give the other \$4,500 to his wife to

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A Planning Technique, Continued from page 4

make her Roth IRA contribution. The \$10,000 would be included in their joint income and would be subject to normal income tax. If he could afford it, he could also make a Roth IRA contribution for himself each year. This process could be continued each year. By doing this, the husband would transfer approximately 50% of his 401(k) fund to his wife (she would be the owner.)

Can a Grandparent Be the Responsible Individual of a Coverdell ESA?

The IRS wrote their model form to provide that the responsible individual must either be a parent or guardian of the designated beneficiary. Article V of the CESA plan agreement provides for this rule. However, Article V also states, "If the responsible individual becomes incapacitated or dies while the designated beneficiary is a minor under state law, the successor responsible individual shall be the person named to succeed in that capacity by the preceding responsible individual in a witnessed writing...." This would imply a responsible individual can be anyone — the person does not have to be a relative of the designated beneficiary. Therefore, CWF believes it is permissible to amend the first sentence of Article V to read as follows: "The 'responsible individual' named by the depositor shall be a parent, grandparent, great-grandparent, or guardian of the designated beneficiary." We see no reason why this sentence cannot be modified to name someone other than a parent or guardian.

Article VIII of the plan agreement provides, "Notwithstanding any other articles which maybe added or incorporated, the provisions of Articles I through III will be controlling. Any additional articles inconsistent with section 530 and related regulations will be invalid." We believe this can be taken to mean that the other articles, including Article V, covering the responsible individual, are allowed to be modified.

Article IX provides that other amendments may be made with the consent of the depositor and the custodian whose signatures appear on the application page.

To affect this change in the responsible individual, CWF suggests that a CESA amendment be prepared and be signed by both the bank and the depositor. The

amendment would authorize the change to the sentence of Article V. See the sample Coverdell Amendment reproduced below. The amendment authorizes the designation of a grandparent to be the responsible individual.

It is understandable, from a tax standpoint, that the IRS requires the responsible individual to be a parent or guardian, as they would know the tax status of the designated beneficiary and the tax consequence of any CESA distribution. A grandparent or unrelated individual would probably not have this knowledge. However, it is the designated beneficiary who is ultimately responsible to determine whether or not a distribution from a CESA is taxable, and is responsible for any tax consequences resulting from such distribution.

Coverdell Education Savings Account Amendment

The depositor wishes to open a Coverdell ESA for a designated beneficiary, with ABC Bank as the Coverdell ESA custodian. The standard Coverdell ESA Plan agreement, as used by ABC Bank, requires the responsible individual of a Coverdell ESA to be a parent or guardian of the designated beneficiary. The depositor would like to change this provision so that a grandparent or great-grandparent will qualify to serve as the responsible individual.

It is hereby agreed by both the Coverdell ESA custodian and the depositor to amend the standard Coverdell ESA plan agreement as follows. The first sentence of Article V of the Coverdell Education Savings Account plan agreement will be deleted, and it will be replaced with the following sentence:

"The 'responsible individual' named by the depositor shall be a parent, grandparent, great-grandparent, or guardian of the designated beneficiary."

This amendment shall become effective _____ (insert date).

By their signatures below, ABC Bank and the depositor agree to this amendment.

Signatures:

Signature of Depositor _____ Date _____

Authorized Signature (ABC Bank) _____ Date _____

Cardinal Reporting Rule

A reason code "4" is the only permissible code for Form 1099-R purposes for a distribution from an inherited IRA. Of course, there is one exception — if someone has made an excess contribution to an inherited IRA (i.e. impermissible rollover), the withdrawal will be reported as the return of an excess contribution and not as a "death" distribution.

Multiple & Compounding IRA Errors – Avoiding & Minimizing Such Errors

There will be times when an IRA custodian's employees will make errors. Set forth below is such a situation. The IRA custodian in this situation could well be liable to the customer for the tax problems which its errors caused. Such errors can be compounding. We at CWF cannot over-emphasize that you, as the IRA custodian, will want to make certain your customer completes the proper IRA forms. In order to have a traditional IRA, one must complete a traditional IRA plan agreement; in order to have Roth IRA, one must complete a Roth plan agreement.

Situation — In October of 2002, a customer rolled over Roth IRA funds, but the IRA custodian originally put the funds in a traditional IRA. This was error #1. The bank became aware of the error, and had the customer sign a Roth IRA plan agreement within the 60-day limit. The IRA custodian, however, failed to change its computer system to show the IRA being a Roth IRA and not a traditional IRA. This was error #2.

In the Fall of 2004, the individual took a distribution of \$2,500. Because the computer system still had this account recorded as a traditional IRA, the bank prepared the 2004 1099-R with \$2,500 in boxes 1 and 2a, with a reason code 1 (premature distribution/no known exception), meaning the accountholder is younger than age 59½. This was error #3.

This customer then rolled over this distribution of \$2,500 into a traditional IRA and not a Roth IRA, in October of 2004. This was error #4.

The individual visited her tax preparer in March of 2005. The tax preparer told her that the original funds

were Roth IRA funds, and not traditional IRA funds. The rollover contribution to a traditional IRA was an excess contribution. Some of the distribution will be taxable and subject to the 10% additional tax.

What corrections must the first IRA custodian make by April 15, 2005? The IRA custodian must prepare a corrected 2004 Form 1099-R. Box 1 should be completed with \$2,500; leave box 2a blank, because the funds are from a Roth IRA. The reason Code 7 should be replaced with "J" on the corrected form (Roth distribution for an accountholder not yet age 59½), and, if the "IRA" box was checked (meaning a traditional IRA), it should be unchecked on the corrected form. This would also mean the 10% tax is owing on this distribution.

What correction will the second IRA custodian wish to make by April 15, 2005? An excess contribution exists within the traditional IRA, since the funds had actually been distributed from a Roth IRA. The accountholder should withdraw the \$2,500 plus any earnings on this amount.

For purposes of this article, it has been assumed that the withdrawal of the \$2,500, plus the earnings (assume \$30), occurred prior to April 15, 2005, and that the second custodian informed her that the earnings of \$30 were taxable on her 2004 return (since the contribution occurred in 2004), and were also subject to the 10% additional tax.

How will this individual need to reflect these transactions on her 2004 tax return? She will certainly want to discuss the entire situation with her tax advisor. First, a determination by the customer and his or her tax advisor will need to be made as to what portion of the \$2,500 distributed from the Roth IRA is taxable and subject to the 10% pre-59½ tax. For discussion purposes, we have assumed the \$2,500 is comprised of \$2,000 of contributions and \$500 of earnings. It is only the \$500 of earnings which will be taxable and subject to the 10% additional tax.

In addition, she would include the \$30 earned on the excess in her income, plus she would owe the 10% additional tax of \$3 on the \$30. Form 8606 would need to be filed.

Special correction possibility: If the IRS were made aware of the situation, they may grant relief under a

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Multiple & Compounding IRA Errors, Continued from page 6

special 60-day rollover waiver program, and allow the funds to be rolled into another Roth IRA. It would be the accountholder's decision as to whether or not this is worthwhile. The IRS filing fee is \$90, plus a fee to prepare the filing of \$100 - \$300.

Summary: An IRA custodian wants to avoid the above situation. If it does happen, you may wish to talk with the bank's attorney to receive guidance as to how to resolve the situation with the accountholder. Your institution may well be liable for the harm suffered by the accountholder. The accountholder has suffered a loss. It may not be totally clear in terms of dollars as to the exact amount of harm she has suffered, but she has been harmed. She has been forced to take a distribution from a Roth IRA which she otherwise would not have taken. She has lost the right to earn tax-free income for the rest of her life with respect to her contribution amount of \$2,000.

Calculating a Beneficiary's RMD when the IRA Owner Died Prior to 2003

How is the RMD calculated with respect to a non-spouse beneficiary when the IRA accountholder died prior to 2003, and died after their required beginning date?

For discussion purposes, it is assumed that an accountholder died in 1994, at age 76. The beneficiary was also age 76 in 1994. How do the IRA custodian and the beneficiary calculate the RMD amount for the beneficiary for 2002 and subsequent years?

In writing the final regulation, presumably the IRS considered the following three alternatives for calculating the RMD for the beneficiary in the situation where the IRA accountholder died many years before the RMD rules were adopted.

The first alternative would have been to continue the single life-distribution schedule which the IRA accountholder had been using. See column #3 of the chart below. Under the proposed regulation, the factor would have been 16.0 in 1988, when the IRA accountholder would have attained both age 70 and 70½.

The second alternative would have been to redeter-

mine the life expectancy using the new rules and tables and then apply them as if these rules had been in effect when the IRA owner died. The practical consequence of such a rule would be that the beneficiary would receive the benefit of using the new, longer life-expectancy factors. See column #4 of the chart below. The beneficiary would really benefit if the life-expectancy factor were determined in 2002, and not 1995 (i.e. the year after the year the accountholder died).

The third alternative would have been to redetermine the life-expectancy factor in 2002, by using the then-current age of the beneficiary and using the new life-expectancy factor from the "new" Single Life Table. See column #5 of the chart below.

#1	#2	#3	#4	#5
	Age of	Life	Life	Life
Year	Beneficiary	Expectancy	Expectancy	Expectancy
1994	76	10.0	N/A	N/A
1995	77	9.0	11.1	N/A
1996	78	8.0	10.1	N/A
1997	79	7.0	9.1	N/A
1998	80	6.0	8.1	N/A
1999	81	5.0	7.1	N/A
2000	82	4.0	6.1	N/A
2001	83	3.0	5.1	N/A
2002	84	2.0	4.1	8.1
2003	85	All out	3.1	7.1
2004	86	N/A	2.1	6.1
2005	87	N/A	1.1	5.1
2006	88	N/A	All out	4.1

The IRS chose the third alternative. The regulation provides that the new rules of the final regulation must be used for calendar years beginning on or after January 1, 2003, even if the IRA accountholder died prior to January 1, 2003. An IRA custodian was permitted to use these new rules for 2001 and 2002, if it so chose. There must be a redetermination of who is the beneficiary or who are the beneficiaries for RMD purposes as of September 30 of the year following the IRA accountholder's death, and the applicable distri-

Calculating a Beneficiary's RMD, Continued from page 7

bution period must be reconstructed for purposes of determining the amount required to be distributed for 2003 and subsequent years.

In plain English, the divisors as set forth in column #4 are to be used, and it would be incorrect to use the divisors set forth in columns #3 or #5. Note, the use of column #3 would mean the beneficiary will have taken out more than he or she was required to. The use of column #5 would mean the beneficiary would have taken out less than he or she was required to, and the 50% tax would be owed.

The applicable distribution period is determined by using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the year of the IRA accountholder's death. For subsequent years, this initial factor is reduced by one for each subsequent year. Since the IRA accountholder died in 1994, the age of the beneficiary is determined in 1995 (age 77), and, therefore, the initial factor is 12.1, and will follow the schedule of 11.1, 10.1, 9.1, etc., for subsequent years.

The old and new Single Life Tables, as set forth below, illustrate the improvement in life expectancies.

Age	Old Table	New Table
70	16.0	17.0
71	15.3	16.3
72	14.6	15.5
73	13.9	14.8
74	13.2	14.1
75	12.5	13.4
76	11.9	12.7
77	11.2	12.1
78	10.6	11.4
79	10.0	10.8
80	9.5	10.2
81	8.9	9.7
82	8.4	9.1
83	7.9	8.6
84	7.4	8.1
85	6.9	7.6
86	6.5	7.1
87	6.1	6.7
88	5.7	6.3
89	5.3	5.9
90	5.0	5.5
91	4.7	5.2
92	4.4	4.9

Age	Old Table	New Table
93	4.1	4.6
94	3.9	4.3
95	3.7	4.1
96	3.4	3.8
97	3.2	3.6
98	3.0	3.4
99	2.8	3.1
100	2.7	2.9
101	2.5	2.7
102	2.3	2.5
103	2.1	2.3
104	1.9	2.1
105	1.8	1.9
106	1.6	1.7
107	1.4	1.5
108	1.3	1.4
109	1.1	1.2
110	1.0	1.1
111	.9	1.0
112	.8	1.0
113	.7	1.0
114	.6	1.0
115	.5	1.0

A Large SIMPLE-IRA Contribution

Question: Was it permissible for a person to make a contribution of \$21,000 to her SIMPLE-IRA for 2004?

Answer: Yes. If the individual was over age 50 as of 12-31-04, then she was entitled to make an elective deferral of \$10,500 (\$9,000 + \$1,500). She was also entitled to receive a matching contribution from her employer (i.e. herself) equal to the amount of her elective deferrals (i.e. \$10,500), but no more than 3% of her compensation or net earnings. If her compensation was sufficiently large, then the matching contribution would also be \$10,500. The total contribution amount then would be \$21,000.

For a person who is self-employed, his or her net earnings from self-employment for the year is the amount from line 4 of Schedule A or line 6 of schedule B (i.e. net profits x .9235) of Schedule SE before subtracting any SIMPLE contributions made on his or her behalf. Net profits of \$378,993 or more would substantiate a matching contribution of \$10,500.
 $\$378,993 \times .9235 \times 3\% = \$10,500.$