THE Pension Digest

July 2010
Published Since 1984

ALSO IN THIS ISSUE –

Collin W. Fritz and Associates, Inc.,
"The Pension Specialists"

RMD Impact When a Surviving Spouse Elects to Treat the Deceased Spouse's IRA as Their Own

A spouse who is the sole primary beneficiary, and who has an unlimited right to withdraw amounts from the deceased spouse's IRA, has the right to treat this IRA as his or her own IRA at any time after the spouse's date of death. When a surviving spouse elects to treat the deceased spouse's IRA as his or her own, the IRA is no longer an "inherited" IRA. The effect of treating the deceased spouse's IRA as his or her own IRA is that the surviving spouse is now treated as if he or she had originally made the IRA contributions. The surviving spouse is now considered to be the IRA owner, for whose benefit the IRA is maintained, for all purposes under the tax laws (e.g. the application of the 10% excise tax for pre-age 59½ distributions, the right to designate a beneficiary(ies), the right to convert the funds to a Roth IRA, the RMD Rules, etc).

The RMD rules will apply to this "elected" IRA only if the surviving spouse attains age 70½ or older during the year his or her spouse died. The RMD rules will NOT apply to this "elected" IRA if the surviving spouse is sufficiently young so that he or she is not subject to the RMD rules for the current year.

The purpose of this article is to illustrate various situations and discuss what RMD, if any, must be distributed for a given year. Prior to 2005, we, at Collin W. Fritz and Associates, Ltd. had the understanding that the spouse beneficiary should generally be paid the RMD amount as determined for the deceased IRA owner for the year of his or her death, to the extent it was not paid to the IRA owner prior to his or her death. We re-read the Q/A-5 of the IRC regulation 1.408-8, and concluded that there are situations where the surviving spouse was not required to take the deceased spouse's RMD. He or she may take a smaller RMD amount, or, in some situations, not be required to take any distribution.

When is the surviving spouse's election effective? Is it effective for the year of death or for the following year? How does the election affect the RMD distribution for the year of death?

The IRS has written the rule to be — the RMD for the calendar year of the election and each subsequent year is made by using the age of the surviving spouse.

The surviving spouse, however, may choose to use a special rule (i.e. the exception). If the surviving spouse's election to "treat as own" occurs during the same year in which the deceased spouse died, then the surviving spouse has the right to be paid the RMD amount, if any, as determined for the deceased IRA owner. The surviving spouse only needs to be paid the RMD amount which had not yet been distributed to the deceased IRA owner prior to his or her death.

Continued on page 2

Surviving Spouse's Right, Continued from page 1

IRA Owner and Spouse Beneficiary Both Over Age 70½, but the Spouse Beneficiary Is Younger than the IRA Owner

Illustration #1. John Jones was the IRA owner. His date of birth was 2-10-36. He died on January 30, 2010. He attained age 74. His IRA account balance as of 12-31-09 was $38,000.00. In January of 2010, the IRA custodian had calculated his RMD for 2010 to be $1,603.38 ($38,000/23.8). No portion of his 2010 RMD had been distributed to him prior to his death. His wife, Ann, was his sole beneficiary. Ann's date of birth was 5-5-38. She will attain age 72 in 2010. She did not have her own IRA. Ann (72) is younger than John (74). Consequently, she will most likely want to treat his IRA as her own in 2010. This means the 2010 RMD will be based on her age and not John's age. Her 2010 RMD amount will be $1,484.38 ($38,000/25.6). This is $119.00 less than the RMD based on John's age.

Illustration #2. Same facts as Illustration #1, but assume that John had already been paid $750 of his RMD for 2010 prior to his death. The remaining RMD amount is $853.38 ($1,603.38 - $750). The IRS has not written the rule to provide that the RMD amount as calculated and paid to the IRA owner prior to his death (ie. $750) may be off-set against the RMD amount as calculated for the surviving spouse ($1,484.38). Even though Ann elects to treat John's IRA as her own, she will use the special rule and she will withdraw $853.38 (i.e. the remaining amount of John's RMD amount) rather than the RMD amount of $1,484.38, as based on her age.

IRA Owner and Spouse Beneficiary Both Over Age 70½, but the Spouse Beneficiary Is Older than the IRA Owner

Illustration #3. Same situation as Illustration #1 except Ann's date of birth was 5-5-33. She will attain age 77 in 2010. Ann (77) is older than John (74). The 2010 RMD amount using John's age is $1,603.38. The 2010 RMD amount using Ann's age is $1,792.45 (38,000/21.2). Even though Ann elects to treat John's IRA as her own, she may use the special rule and she is only required to withdraw $1,603.38 (i.e. John's RMD amount). Be aware, the special rule applies only for the year of the accountholder's death. Ann will calculate her RMD for 2011 by using her age in 2011 and by using the Uniform Lifetime Table.

Illustration #4. Same facts as Illustration #3, but assume that John had already been paid $600.00 of his RMD for 2010 prior to his death. Again, Ann would wish to take advantage of the special rule. And she will be required to withdraw just the remaining amount of $1,003.38.

IRA Owner Over Age 70½ but Spouse Beneficiary Is Younger than Age 70½

Illustration #5. His wife, Ann, was his sole beneficiary. Ann's date of birth was 5-5-43. She will not attain age 70½ until 11-5-2013. If Ann elects to treat John's IRA as her own in 2010, the RMD amount as calculated for John is not required to be distributed to Ann, because she is younger than 70½ and the RMD rules do not apply to her for 2010. She attains age 70½ in 2013. She will be required to take an RMD for 2013, but not before then.

IRA Owner Dies During the Year of Attaining Age 70½ but Spouse Beneficiary Is Younger than Age 70½

Illustration #6. There is no RMD for the year the IRA owner attains or would have attained age 70½ if he or she dies before his or her required beginning date.

IRA Owner Younger than Age 70½ but Spouse Beneficiary Is Older than Age 70½

Illustration #7. Same situation as Illustration #1 except John Jones' date of birth was 2-10-46. He attained age 66 in 2010. His wife, Ann, was his sole beneficiary. Ann's date of birth was 9-5-38. She will attain age 72 in 2010. She will have to decide if she wants to treat John's IRA as her own. If she elects to treat John's IRA as her own, and if she also elects to use the special rule which allows her to take John's RMD amount for the year of death, if any, then she will not be required to take a distribution for 2010, but she will need to take one for 2011 and subsequent years. She will be 73 in 2011, and the divisor from the Uniform Lifetime table is 24.7.

A surviving Spouse has three ways to elect to treat his or her deceased spouse's IRA as his or her own IRA. First, the surviving spouse may re-designate the

Continued on page 3

Surviving Spouse's Right, Continued from page 2

deceased owner's IRA so that the IRA bears his or her name as an owner and not as a beneficiary. This re-designation may be made by transferring the funds from the deceased owner's IRA to the IRA of the surviving spouse. Second, an automatic election takes place if the surviving spouse fails to take an RMD by a deadline. Third, an automatic election occurs if the surviving spouse makes a regular contribution to the IRA.

In summary, a surviving spouse's right to treat the deceased spouse's IRA as his or her own is a very valuable tax planning tool. If the surviving spouse is younger than age 70½, there is no RMD due for the current year even if the deceased spouse was subject to the RMD rules. A special rule allows the surviving spouse to elect to take out the RMD amount as calculated for the deceased spouse rather than the RMD as calculated for him or her. This election would generally be made when both spouses are over age 70½ and the surviving spouse is older than the deceased spouse.◆

HSA Contribution Limits for Domestic Partners and Other Unmarried Individuals Versus Married Individuals

Domestic Partner litigation is presently an active topic in many courts, both federal and state. In many situations, domestic partners are seeking the status of being married.

Being married is not always beneficial for federal income tax purposes because there are numerous "marriage tax penalties." That is, two individuals will pay more in federal income tax because they are married than if they were unmarried.

Various Health Savings Account (HSA) contribution limit questions were presented and answered by IRS staff at a recent conference of the American Bar Association Tax Section's Employee Benefit Committee. The conclusion – domestic partners and other unmarried individuals covered under a family High Deductible Health Plan (HDHP) will each be able to contribute (and deduct) $6,150 to their respective HSAs for a total of $12,300, but the married couple is only able to contribute $6,150.

HSA contributions are limited based on the type of HSA-qualified HDHP the individual is covered by, Single/Self-only coverage or Family coverage.

For 2010 and 2011 the contribution limits are the same, $3,050 with Self-only coverage and $6,150 with Family coverage. An eligible person (age 55 or older) may make the $1,000 catch-up contribution.

IRS Notice 2008-50, Q&A-12, and IRC §223(c)(4) defines family coverage as "…any coverage other than self-only coverage…Family HDHP coverage is a health plan covering one eligible individual and at least one other individual (whether or not the other individual is an eligible individual.)" The other individual may be but is not required to be a spouse. An individual with family HDHP coverage is authorized to contribute 6,150 plus the catch-up of $1,000 if applicable.

Per Internal Revenue Code (IRC) §223(b)(5), IRS Notice 2004-2, Q&A-15, and IRS Notice 2008-59, Q&A-18, a married couple covered under a Family HDHP, even if both are HSA-eligible, are limited to one annual statutory limit, $6,150 currently. It can be divided between the HSAs of the two spouses in any manner they choose, but they are limited to one, annual amount of $6,150 for 2010. This $6,150 limitation also applies if the other covered individual(s) on the Family HDHP is a dependent and not a spouse.

This definition sparked an interesting question/answer to and from the IRS at a May 7, 2010 meeting with the American Bar Association Tax Section's Employee Benefit Committee as reported on the ABA website, http://www.abanet.org/jceb/2010/2010IRSFINAL.pdf.

The committee asked the following questions and the IRS employees gave the following answers:

Situation: An employee elects family coverage for himself and his domestic partner under a high deductible health plan (HDHP) for a calendar year. The domestic partner is not the employee's dependent. The fair market value of the health coverage for the domestic partner is imputed as income to the employee.

Question A: *What amount can the employee contribute to a health savings account (HSA) during the year such coverage is elected, disregarding any "catch-up contribution" that may be available to the employee?*

Continued on page 4

HSAs,
Continued from page 3

Answer A: Since the employee has elected family coverage defined in Section 223(c)(4) of the Code as "any coverage other than self-only coverage" and Notice 2004-50 confirms that family HDHP coverage is HDHP coverage for one HSA-eligible individual and at least one other individual (whether or not the other individual is an HSA-eligible individual), the employee is treated as having family coverage and is eligible for contributions up to the HSA contribution limit for family coverage.

Question B: *Does the special rule for married individuals that limits the contribution amount that a husband and wife can make to an HSA apply to the employee and his domestic partner?*

Answer B: No. The HSA contribution limits imposed on married individuals do not apply to domestic partners. The Defense of Marriage Act provides that domestic partners will not, for federal tax purposes, be considered each other's "spouse." (1 U.S.C. § 7) Thus the employee and his domestic partner are not subject to the $6,150 contribution limit imposed on married individuals.

Question C: *What amount can the employee's domestic partner contribute to an HSA during the year such coverage is elected, disregarding any "catch-up contribution" that may be available to the employee's domestic partner?*

Answer C: The employee's domestic partner is eligible to contribute up to the HSA contribution limit for family HDHP coverage ($6,150) for the same reason that the employee is eligible to contribute $6,150 (i.e. up to the HSA contribution limit for family HDHP coverage).

Note: The IRS employee stated that the answers reflected "the unofficial, individual views of the government participants as of the time of the discussion, and did not necessarily represent agency policy."

Internal Revenue Code section 223(b)(2)(B) creates a maximum HSA contribution limit for a married couple with family HDHP coverage. The maximum amount for 2010 is $6,150 (without regard to catch-up contributions). This limit does not apply to unmarried individuals.

In order to be eligible to contribute to an HSA, a person must be covered by an HDHP, not be covered by a non-HDHP, not be a dependent and not be enrolled in Medicare. The HDHP coverage may either be single coverage or family coverage. The definition of family coverage does not stipulate a requirement that there be a husband and wife. Any two or more people covered under a health plan will qualify regardless if they are related.

In summary, although the answers of the IRS staff at a tax conference do not establish formal IRS policy, their answers are consistent with the statutory laws governing HSAs and the Defense of Marriage Act. An unmarried couple (Domestic Partners or otherwise) may contribute $12,300 to two HSAs, whereas a married couple is limited to $6,150. Who said federal income taxes are fair? Admittedly, there are times when a married couple does receive tax benefits for being married. But the family HSA contribution limit is a classic example of when a married couple will pay more in federal income taxes than if they had not been married.◆

Handling Excess IRA Contributions for 2008 and 2009

The purpose of this article is to illustrate the various tax and reporting responsibilities which arise when an individual makes and excess IRA contribution 1-3 years earlier. What will the individual need to do to correct the excess contribution and what will the IRA custodian need to do?

Jane Doe, age 61, has just come into First Financial Institution. She has just received a letter from the IRS informing her that she owes $480 in additional taxes for 2008. Why? She had claimed a $6,000 contribution for her 2008 traditional IRA contribution. The IRS disallowed her claimed deduction since she did not have any qualifying income for 2008. She had suffered a business loss of $38,000. She had no other business income or wage income.

The IRS letter is 10 pages in length. The letter never expressly uses the term excess IRA contribution. The IRS informs Jane Doe that she has made an excess IRA contribution when she calls the IRS to discuss the letter. During this call, the IRS also instructed her to complete Section III of the 2008 Form 5329. The IRS did not discuss this in its letter.

The Pension Digest

Jane Doe wants First Financial Institution to help her with respect to 2008. You are the IRA personnel responsible to assist Jane Doe and others in her situation. She also informs you that the same situation exists with respect to her 2009 federal income tax return. She made another $6,000 excess contribution to her IRA for 2009 since she no qualifying income. She had another business loss of $27,000, with no other business income or wage income. The IRS has not yet revised her 2009 tax return.

Jane Doe talks with her tax accountant. She agrees her 2008 IRA contribution of $6,000 was impermissible and that it was an excess contribution. She withdraws the $6,000 on July 13, 2010. She is not required to withdraw the income as the rules of Code section 408(d)(5) apply rather than those of Code section 408(d)(4). She withdrew this 2008 excess contribution well after the tax deadline for correcting it.

The IRA custodian will need to prepare a 2010 form 1099-R to report this withdrawal of the 2008 excess contribution. The IRS instructs the IRA custodian to, "For a distribution of excess contributions without earings after the due date of the individual's tax return under Code section 408(d)(5), leave box 2a blank, and check the 'Taxable amount not determined' check box in 2b. Use code 1 or 7 in box 7 depending on the age of the IRA accountholder."

The IRA accountholder will be required to explain the tax consequences of her withdrawing the 2008 $6,000 contribution in 2010. Since she was not allowed to claim a tax deduction for her $6,000 contribution, it may be returned to her with no adverse tax consequences. Jane Doe must respond to the IRS "collection" letter. She owes $480 since the IRS disallowed her claimed $6,000 deduction. She also owes $360 since she had excess contributions of $6,000 for 2008. She did not correct or withdraw these contributions by the due date of her 2008 tax return. Thus, she will need to pay the IRS $840 ($480x$360) with respect to her 2008 tax return.

She also needs to correct the 2009 return she filed previously for the following reasons.

1. The $6,000 she contributed in 2008 for 2008 is still an excess contribution for 2009 since she did not withdraw it until July of 2010. This means she also owes the 6% excise tax for 2009 or another $360.00. If she would have withdrawn it by December 31, 2009, then the 6% excise tax would not have been owed. She should file an amended tax return and report via the 2009 Form 5329 that she owes the $360.00.

2. The $6,000 she contributed in 2009 for 2009 is currently an excess contribution for 2009. However, she has the right to correct it or withdraw it by October 15, 2010 and then she does not owe the 6% excise tax. The IRS instructs the IRA custodian to, "For a distribution of excess contributions plus earnings before the due date of the individual's tax return under Code section 408(d)(4), report the gross distribution in box 1, only the earnings in box 2a and enter 8 or P, whichever is applicable, in box 7. Enter code 1 or 4 also, if applicable." It was determined that there were earnings of $20.00. Since the contribution was made in 2009 for 2009 and withdrawn in 2010, the reason code will be a P. She will need to explain on her 2009 amended return that the $20.00 is includable in her 2009 income, but since she has corrected the 2009 excess contribution of $6,000 by withdrawing it, no portion of the $6,000 is includable in income nor is the 6% excise tax owed. ◆

A Special Exception for IRAs and Federal Estate Taxes

The general rule is that an individual's estate will for federal estate tax purposes include his or her IRA funds. In very rare situations an exception might exist so the IRA funds will be excluded from the estate.

The current tax law for individuals dying in 2010 provides no federal estate tax. Congress may try to enact retroactive legislation effective as of January 1, 2010 so that such estates would be subject to estate taxation.

The purpose of this article is to discuss special grandfather tax laws that might apply to a very few IRA accountholder's estates when it again becomes taxable for estate tax purposes.

Continued on page 6

Special Exception,
Continued from page 5

Before 1982, IRA and pension distributions in an annuity format could have been structured to be exempt from the federal estate tax. In order to be exempt from federal estate tax, the IRA had to provide for a series of substantially equal periodic payments made to the beneficiary for life, or over a period of at least 36 months after the date of the decedent's death. Since most IRA plan agreement forms have always allowed a beneficiary to take distributions over his or her life expectancy, the 36 month rule would normally have been met.

In general, the tax rules providing for annuities and annuity type payments to be exempt from federal estate tax were repealed during 1982-1984. With respect to estates occurring on or after January 1, 1985, the value of IRAs and pension funds was to be included in a person's federal estate regardless if payable in an annuity format.

Certain individuals (and their estates), however, were grandfathered under the tax laws enacted in 1982 and 1984. Some current IRA accountholders may be grandfathered and still are eligible to use the pre-1983 laws or the pre-1985 laws.

Page 18 of the Instructions for Form 706 (U.S. Estate and Generation Skipping Tax Return) discusses the annuity rules for certain approved pension and IRA plans. The IRS discussed these rules in Rev. Rul. 92-22. The 2009-2010 IRS position on this topic is still the same as it was in 1992.

The IRS believes that the estate of a deceased IRA accountholder with a beneficiary other than the estate would be entitled to exclude 100% of the IRA if the IRA accountholder was receiving payments from the IRA on or before December 31, 1982 and had irrevocably elected a form of payment before December 31, 1982.

If the estate was not entitled to the 100% exclusion, the estate would be entitled to exclude $100,000 if the IRA accountholder was receiving payments from the IRA on or before December 31, 1984 and had irrevocably elected a form of payment before July 18, 1984.

The group of IRA accountholders who might meet these requirements is most likely quite small, but it is possible that some would. Example #1, if a person at age 60 had set up a periodic distribution schedule over his or her life expectancy in 1982, then he or she would now be age 88. His or her estate qualifies to exclude the IRA funds. Example #2, if a person at age 61 had set up a periodic distribution schedule over his or her life expectancy in May of 1984, then he or she would now be age 87. His or her estate qualifies to exclude $100,000 of the IRA funds.

Note, the individual must have commenced receiving distributions prior to December 31, 1982 in order for 100% of the IRA to be exempt from the estate tax, when applicable.

Also, note that the individual's election of the distribution schedule had to irrevocable. Most instructions to withdraw funds from an IRA are not irrevocable, but it is possible that some IRA accountholders (or their tax advisors) foresaw the law's requirements and completed an IRA distribution form providing for an irrevocable schedule. ◆

IRA Investors – Be Aware the IRS Does Not Approve IRA Investments

When IRA accountholders invest in FDIC insured time deposits or savings accounts there is little fear of losing one's investment. This is not the case when funds are invested in investments with varying degrees of risk such as stocks, bonds, mortgages, real estate, mutual funds, etc.

The IRS has certain duties, albeit limited, with respect to supervising the investment of IRA assets. The law defines that certain financial institutions (e.g. banks, savings and loans, credit unions, etc) are authorized to serve as an IRA custodian or trustee. The IRS has the authority to grant the right to certain other corporate entities (i.e. non-bank trustees) the right to act as an IRA trustee.

The IRS does not have much authority to define which investments are permissible investments and which are not. The federal income tax laws are quite broad as to how IRA funds may be invested. In general, IRA funds may be invested in any investment which does not contain insurance, is not a collectible or does not result in a prohibited transaction.

Many IRA investments have lost substantial value during the current economic recession.

Continued on page 7

Be Aware,
Continued from page 6

The IRS has issued very limited guidance as to how and when it will respond to requests for assistance with respect to investment problems and disputes. It appears the IRS wants to have a very limited role with respect to "investment problems."

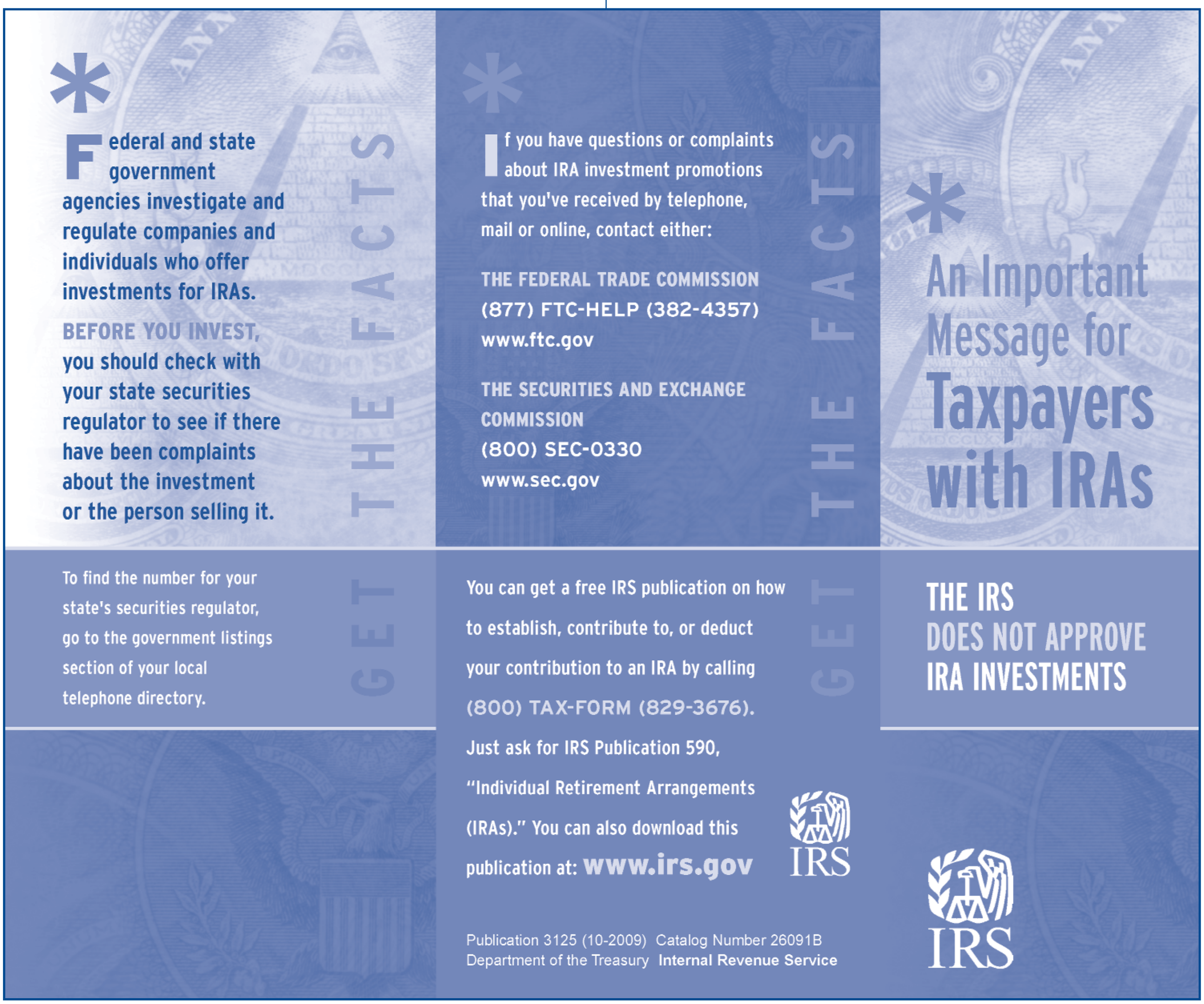
The IRS issued Publication 3125 in October of 2009. The IRS had its reasons for issuing this publication. This 2-page publication is reproduced below.

Goal #1. The IRS makes clear to individual taxpayers that the IRS does not approve IRA investments and/or endorse any investments. The IRS suggests that an individual should avoid any investment if it has been touted as "IRA Approved" or otherwise endorsed by the IRS.

Goal #2. The IRS makes clear to taxpayers that the IRS offers no advice as to how IRA funds should be invested.

Goal #3. The taxpayer is advised that he or she should proceed with caution when he or she is encouraged to invest IRA funds in a general partnership or a limited liability company.

Goal #4. Taxpayers are informed that they must be aware of the current tax rules for IRAs. *CWF comment:* This warning is much too broad and indefinite. We believe the IRS needs to put taxpayers on notice that there are rules called the prohibited transaction rules, which if violated, generally result in the IRA becoming



*

Federal and state government agencies investigate and regulate companies and individuals who offer investments for IRAs.

BEFORE YOU INVEST, you should check with your state securities regulator to see if there have been complaints about the investment or the person selling it.

GET THE FACTS

To find the number for your state's securities regulator, go to the government listings section of your local telephone directory.

*

If you have questions or complaints about IRA investment promotions that you've received by telephone, mail or online, contact either:

THE FEDERAL TRADE COMMISSION
(877) FTC-HELP (382-4357)
www.ftc.gov

THE SECURITIES AND EXCHANGE COMMISSION
(800) SEC-0330
www.sec.gov

GET THE FACTS

You can get a free IRS publication on how to establish, contribute to, or deduct your contribution to an IRA by calling (800) TAX-FORM (829-3676). Just ask for IRS Publication 590, "Individual Retirement Arrangements (IRAs)." You can also download this publication at: **www.irs.gov**

IRS

Publication 3125 (10-2009) Catalog Number 26091B
Department of the Treasury **Internal Revenue Service**

*

An Important Message for Taxpayers with IRAs

THE IRS DOES NOT APPROVE IRA INVESTMENTS

IRS

**Be Aware,
Continued from page 7**

fully taxable. The IRS needs to have more warnings about self-directed IRAs and the dangers existing with what are called "check book IRAs."

Goal #5. An IRA accountholder is advised that that there are federal and state government agencies to investigate and regulate companies and individuals who offer IRA investments. The IRS states a person may check with his or her state securities regulator. A person who has questions or complaints about a promotion of an IRA investment should contact either the FTC (Federal Trade Commission) or the SEC (The Securities and Exchange Commission).

The IRS does not instruct the taxpayer when the taxpayer should contact the IRS with respect to problems with IRA investments. One would think the IRS would need or want to do this at least in some situations. The IRS is currently the primary regulator of a financial institution performing its duties as an IRA custodian or IRA trustee. Time will tell if this will change under the new proposed financial legislation.

An IRA investor needs to understand that the degree of governmental help for various IRA investment problems is unsettled at best. At one time, Bernardy Madoff's business was authorized to serve as an IRA trustee and we all know what happened to that business. An individual needs to exercise due diligence and vigilance for the whole term of an investment. ◆

* GET THE FACTS:

If you have an Individual Retirement Arrangement (IRA), you should be alert to questionable advertisements and solicitations for "IRS Approved" or "IRA Approved" investments.

These advertisements or solicitations, often for highly speculative or non-traditional types of investments, mislead by falsely claiming that the IRS has approved a particular investment.

The IRS DOES NOT APPROVE any forms of IRA investments.

HERE'S AN EXAMPLE OF A FRAUDULENT "IRA APPROVED" SALES PITCH:

"This investment has been approved for your IRA. You can use your IRA for this investment by filling out the forms in the attached information package, and our agent will take care of the rest. This has been reviewed by the government (or IRS). This investment is so safe you can use it for your IRA. Only certain investments are approved for IRAs."

THE IRS DOES issue letters to IRA sponsors, trustees and custodians certifying that they are complying with requirements concerning investor rights, account administration, and standards for the establishment of documents that allow contributions to be deductible.

THE IRS DOES NOT

- REVIEW OR APPROVE investments.
- ENDORSE any investments.
- ADVISE people on how to invest their IRAs.
- ISSUE ANY STATEMENT that an investment in an IRA is protected because a particular trustee or custodian has been approved by the IRS.

We urge you to carefully consider the soundness of your IRA investments and to be aware of the current tax rules for IRAs.

PROTECT YOURSELF AGAINST "IRA APPROVED" SCHEMES (reprinted with permission from the North American Securities Administrators Association)

- Exercise extra caution during the tax season when it comes to making IRA investments.
- Avoid any investment touted as "IRA Approved" or otherwise endorsed by the IRS.
- Don't buy an investment on the basis of a television "infomercial" or radio advertisement.
- Beware of promises of no-risk, sky-high returns on exotic investments for your retirement account.
- Never transfer or rollover your IRA or other retirement funds directly to an investment promoter.
- Proceed with caution when you are encouraged to invest in a "general partnership" or "limited liability company."
- Don't be swayed by the fact that a bank or trust department is serving as an IRA custodian.
- Always check out an investment and promoter before you turn over your money.
- Educate yourself about IRAs and retirement planning.