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**Collin W. Fritz and Associates, Inc.,
“The Pension Specialists”**



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Understanding the IRS Rollover Chart

The IRS has prepared an excellent chart summarizing the rollover contribution rules. This chart is set forth on page 2 of this newsletter. It comes from page 18 of Publication (590) (Individual Retirement Arrangements).

The general IRA/pension law is that a person who takes a distribution is required to include the withdrawn amount in his or her income and pay tax on this amount at his or her applicable marginal income tax rate. The rollover rules are an exception to the general taxation rules. A person who does a valid rollover is not required to include the withdrawn amount (or the amount deemed withdrawn) in his or her income.

This rollover chart indicates:

1. Traditional IRAs are eligible to be directly rolled over or rolled over to all of the other types of plans. A rollover to a Roth IRA will be a Roth IRA conversion. A rollover to a Designated Roth account within a 401(k) plan is impermissible.
2. Funds within a Roth IRA may only be rolled over one place, to another Roth IRA. Roth IRA funds cannot be rolled over into a 401(k) plan, even a 401(k) which has Designated Roth IRA accounts. Roth IRA funds cannot be rolled over into any other type of IRA.
3. No IRA or pension funds may be rolled into a SIMPLE-IRA unless the

funds come from another SIMPLE-IRA.

5. Designated Roth funds within either a 401(k), 403(b) or 457(b) plan may be moved to another designated Roth account within another 401(k), 403(b) or 457(b) plan if done as a direct trustee-to-trustee transfer. That is, the individual cannot be the payee of the check. Designated Roth funds may also be directly rolled over or rolled over to a Roth IRA.
5. This chart does not cover or discuss the ability of a beneficiary to roll over funds from an employer plan into an inherited/beneficiary IRA. The IRS should be discussing this subject. We have submitted this suggestion to the IRS.
6. The chart does not in any way mention the term conduit IRA or indicate that only funds from a conduit IRA may be rolled over or directly rolled over into a 401(a), 403(b) or a 457(b) plan. Traditional IRA funds (but cannot be nontaxable funds) are eligible to be rolled into employer sponsored plans.
7. Traditional IRA funds can be rolled over into any of the other plan types except such funds cannot be rolled over into a SIMPLE IRA or a Designated Roth account within a 401(k), 403(b) or 457(b) plan. The same is true for SEP-IRA funds.
8. A footnote should be added that only taxable funds within a traditional or SEP IRA may be rolled over into a 401(a), 403(b) or 457(b) plan.

Continued on page 2

**IRS Rollover Chart,
Continued from page 1**

9. The chart indicates via a footnote that funds rolled into a Roth IRA from a traditional IRA, SEP, SIMPLE IRA, 401(a), 403(b) or 457(b) plan will be included in the individual's income. These are all types of "Roth conversions."

10. NonRoth funds within a 401(k), 403(b) or 457(b) plan may be moved into a Designated Roth account within such plans, but the movement must be done as an in-plan rollover and the individual must include the amount in his or her income. ♦

Table 1-4. Rollover Chart

The following chart indicates the rollovers that are permitted between various types of plans.

		Roll To							
		Roth IRA	Traditional IRA	SIMPLE IRA	SEP IRA	457(b) Plan	Qualified Plan ¹ (pre-tax)	403(b) Plan (pre-tax)	Designated Roth Account (401(k), 403(b) or 457(b) ²)
Roll From	Roth IRA	Yes	No	No	No	No	No	No	No
	Traditional IRA	Yes ³	Yes	No	Yes	Yes ⁴	Yes	Yes	No
	SIMPLE IRA	Yes ³ , after 2 years	Yes, after 2 years	Yes	Yes, after 2 years	Yes ⁴ , after 2 years	Yes, after 2 years	Yes, after 2 years	No
	SEP IRA	Yes ³	Yes	No	Yes	Yes ⁴	Yes	Yes	No
	457(b) Plan	Yes ³	Yes	No	Yes	Yes	Yes	Yes	Yes, ^{3,5} after 12/31/10
	Qualified Plan ¹ (pre-tax)	Yes ³	Yes	No	Yes	Yes ⁴	Yes	Yes	Yes, ^{3,5} after 9/27/10
	403(b) Plan (pre-tax)	Yes ³	Yes	No	Yes	Yes ⁴	Yes	Yes	Yes, ^{3,5} after 9/27/10
	Designated Roth Account (401(k), 403(b) or 457(b) ²)	Yes	No	No	No	No	No	No	Yes, if a direct trustee-to-trustee transfer
¹ Qualified plans include, for example, profit-sharing, 401(k), money purchase, and defined benefit plans. ² Governmental 457(b) plans, after December 31, 2010. ³ Must include in income. ⁴ Must have separate accounts. ⁵ Must be an in-plan rollover.									

Two Aspects of the Once Per Year Rollover Rule

A person is authorized to rollover only one IRA distribution from an IRA plan agreement during a 12 month period.

We will assume that Felicia Ruan withdraws \$30,000 from her IRA on May 10, 2012. As of April 1, 2012, her IRA had a balance of \$65,000.

The first question to be asked, "did she take a previous

IRA distribution from the same IRA during May 11, 2011 to May 10, 2012? If so, her distribution of May 10, 2012 is ineligible to be rolled over since one year has not elapsed since the last distribution which was rolled over. For example, if she had taken a distribution on June 10, 2011, and rolled some or all of it over, then she is ineligible to do another rollover until June 10, 2012.

If Felicia is eligible to rollover her distribution of May 10, 2012, and does so, she should understand that she is not able to take another distribution from the same IRA and roll it over until May 10, 2013. ♦

Directly Rolling Over Inherited 401(k) Funds

A financial institution will have current customers who will inherit a brother's, sister's, parent's, or child's 401(k). Commencing on January 1, 2009, it became mandatory that a 401(k) plan had to be written to authorize a nonspouse beneficiary to be able to directly rollover the 401(k) funds into an inherited IRA. A financial institution will wish to inform its customers it is ready, willing, and able to service the inherited IRA or IRAs which the beneficiary chooses to establish. Such an inherited IRA(s) does not arise on account of the death of an IRA owner, but when a 401(k) participant dies and the beneficiary elects to directly rollover the beneficiary's inherited 401(k) funds into one or more inherited IRAs.

401(k) Overview. A 401(k) participant may have both NonRoth and Roth subaccounts comprising his or her 401(k) account. The NonRoth funds although normally fully taxable, may contain some after-tax or nontaxable funds. The Roth funds will be comprised of contributions (nontaxable) and earnings. The earnings will either be nontaxable or taxable. The beneficiary assumes the tax attributes applying to the deceased 401(k) participant.

401(k) Administrator. The 401(k) administrator must furnish the nonspouse beneficiary with a 401(k) distribution form.

This form will discuss the types of 401(k) funds which the beneficiary has within the 401(k) and how these funds will be taxed if they are distributed from the plan. This form will inform the beneficiary if he or she is eligible to directly rollover these funds into a traditional IRA, Roth IRA or another employer sponsored plan. The beneficiary (i.e. the IRA custodian's client or prospective client) will need to complete this form and return it to the 401(k) administrator. The beneficiary on this form instructs the amount to go into a traditional IRA, the amount to go into a Roth IRA and the amount to be paid to him or her. The IRA custodian needs to instruct the individual that he or she will need to furnish the IRA custodian with a completed copy of the 401(k) distribution form.

The 401(k) distribution form will discuss the following laws and options.

1. The beneficiary may instruct the 401(k) administrator to directly rollover the entire funds within the inherited 401(k) account. Such funds cannot be rolled over. That is, the funds cannot be paid to the beneficiary who then tries to make a rollover contribution. The tax laws do not permit a nonspouse beneficiary of either a 401(k) plan or an IRA to make a rollover contribution after being paid inherited IRA or pension funds.
2. The beneficiary may have his or her entire inherited 401(k) balance paid in cash. Since the beneficiary is ineligible to rollover any beneficiary distribution, there will need to be 10% withheld for federal income tax purposes unless he or she elects to have no withholding or elects to have more than 10% withheld (e.g. 25%).
3. The beneficiary may do a combination of the first two options. A portion may be taken as a distribution and the remaining portion may be directly rolled over into an inherited IRA.

As discussed above, a 401(k) participant will have nonRoth funds within his or her 401(k) account. Such funds will arise from his or her nonRoth deferrals, employer matching contributions and earnings on these two types of contributions. Normally, these nonRoth funds will be fully taxable if distributed. However, at times the 401(k) participant will have made some after-tax contributions and the withdrawal of such contributions are not taxable.

Option #1. If the NonRoth 401(k) funds are fully taxable, directly rollover the entire balance into a traditional IRA. For illustration purposes, it is assumed the balance of the NonRoth funds is \$35,000. No portion of the deemed distribution to the beneficiary will be taxable. See Diagram #1 illustrating how the 401(k) administrator will prepare the 2012 Form 1099-R and Diagram #2 illustrating how the IRA custodian will prepare the Form 5498 showing the rollover. The beneficiary will explain on his or her tax return that he or she directly rolled over the 401(k) beneficiary funds to an inherited IRA.

**Inherited 401(k) Funds,
Continued from page 3**

Option #2. If the NonRoth 401(k) funds are fully taxable, directly rollover the entire balance into a Roth IRA. This is a special type of conversion. For illustration purposes, it is assumed the balance of the NonRoth funds is \$35,000. In this situation, the beneficiary is required to include the \$35,000 in his or her income and pay tax on it. See Diagram #3 illustrating how the 401(k) administrator will prepare the 2012 Form 1099-R and Diagram #4 illustrating how the IRA custodian will prepare the Form 5498 showing the rollover. Note that even though the beneficiary directly rolled over the \$35,000, he or she will include the \$35,000 in income as must be done in a standard traditional IRA to Roth IRA rollover conversion.

Note that the IRS has authorized conversion treatment for moving inherited 401(k) funds to an inherited Roth IRA. However, the IRS has ruled that it is impermissible to move inherited traditional IRA funds to an inherited Roth IRA.

Option #3. If the NonRoth 401(k) funds are fully taxable, the beneficiary may directly rollover to a traditional IRA a portion of the nonRoth 401(k) funds (e.g. \$20,000 and directly rollover the remainder (\$15,000) to a Roth IRA. In this case, the 401(k) administrator would prepare two Form 1099-Rs and the IRA custodian would prepare two Form 5498s. See Diagrams 5-8.

Option #4. If the NonRoth 401(k) funds are not fully taxable, then a beneficiary has an additional option. For discussion purposes, it is now assumed that there was basis of \$6,000 as a part of the \$35,000 and that \$17,000 was directly rolled over into a traditional IRA and \$12,000 was directly rolled over into a Roth IRA. In addition to directly rollover the taxable NonRoth 401(k) funds, the beneficiary may then have the nontaxable funds (\$6,000) paid to him or her.

Since these are after tax-dollars, the beneficiary will not pay taxes on these after-tax contributions.

Option #5. If the NonRoth 401(k) funds are not fully taxable, then a beneficiary still has the option that he or she can rollover the entire balances. The prorata rules applying to distributions from 401(k) plans will need to be applied. Some portion of the funds be directly rolled over to a traditional IRA would be nontaxable and some portion of the funds be directly rolled over to a Roth IRA would be nontaxable.

As discussed above, a 401(k) participant may have had Roth funds (Designated Roth) within his or her 401(k) account. The 401(k) participant made Designated Roth elective deferrals because he or she was interested in the tax free aspect of the income earned by such contributions if certain rules are met. Such Roth 401(k) funds will arise from his or her Roth deferrals and the earnings on these Roth deferrals. In order to be able to continue these inherited Roth funds as "Roth funds, the beneficiary will need to find a financial institution willing to set up an inherited Roth IRA for him or her.

Administration by the IRA custodian and the Roth IRA custodian.

1. Establish the Inherited IRA(s) (traditional, Roth or both). The beneficiary and the IRA custodian will need to establish an inherited traditional IRA, if applicable, and an inherited Roth IRA, if applicable. CWF has developed inherited IRA plan agreements. The IRS model forms are used within CWF's inherited forms and additional language has been added making clear this IRA is an inherited IRA (traditional or Roth). A transfer or direct rollover contributions are the only permissible types of contributions to an inherited IRA. RMDs must be taken. Nonspouse beneficiaries are ineligible to take a distribution from an inherited IRA and then roll it over.
2. The inheriting beneficiary will want to designate his or her beneficiary(ies).
3. The inherited IRA must be titled at least for Form 5498 purposes as an inherited IRA, "Jane Doe as beneficiary of Rita Doe's IRA." CWF recommends this titling also be used for Form 1099-R purposes.
4. As discussed previously, the direct rollover contribution(s) into the traditional IRA and/or the Roth IRA will be reported in box 2 (rollovers) on the applicable Form 5498.
5. If there is an RMD due to the beneficiary for the current year, such RMD may not be directly rolled over. It would need to be paid to the beneficiary from the 401(k) plan.
6. Each and every distribution to the beneficiary from the inherited traditional IRA will be coded a "4" for purposes of completing box 7 on the Form 1099-R. Code "4" will be used all distributions until the

inherited IRA is closed. If the beneficiary did decide to roll over 401(k) funds containing basis, he or she will need to keep track of such nontaxable information. He or she will need to report this nontaxable amount on the Form 8606.

7. Each and every distribution to the beneficiary from the inherited Roth IRA will be coded a "T" for purposes of completing box 7 on the Form 1099-R until the five-year rule is met at the Roth IRA custodian. If the beneficiary did happen to already have a Roth IRA with the financial institution, this time period would not be considered since a personal Roth IRA and a Roth IRA are different. The fact that the 401(k) participant may have qualified for a qualified distribution from the Designated Roth Account under the 401(k) plan does not carryover to the inherited IRA. However, if the 401(k) participant was entitled to qualified distributions under the 401(k) plan, then the entire amount transferred by the 401(k) plan to the Roth IRA will be basis. Basis within a Roth IRA is any amount which will not be taxed when distributed. It is the job of the beneficiary and his or her tax advisor to keep track of this tax fact. Once the beneficiary has met the five-year rule, all Roth distributions will then be coded "Q" for Form 1099-R purposes.

There are over 500,000 401(k) plans in the United States with over 60 million participants. 401(k) participants are dying. Some will have designated a nonspouse beneficiary who will want to move these funds to an inherited traditional IRA and/or Roth IRA. Many times employers will write the 401(k) plan to require an inheriting beneficiary to remove his or her funds within 1-2 years after the 401(k) participant died. This simplifies the administrative duties. The only way to move such funds is by a direct rollover(s). Financial institutions want to be prepared to service both inherited traditional IRAs and also inherited Roth IRAs. Both types of inherited IRAs may be very long term accounts. Inherited Roth IRAs will certainly be long term. Most Roth IRA beneficiaries will wish to minimize distributions in order to maximize the earning of tax free income. ♦

No Surprise — Sometimes the IRS Gives Incorrect Guidance

There will be times when an IRS representative will handle an IRA situation incorrectly. Our suggestion, the IRA custodian's personnel should request the IRS representative to put his or her guidance in writing. And the IRA custodian, if necessary, should respond in writing. Like many people, the IRS representative may balk at furnishing a written instruction or guidance, but general IRS procedures require it.

Situation/Illustration

An IRA custodian had prepared a 2010 Form 1099-R for a Roth IRA owner's withdrawal of her Roth IRA funds during November of 2010. She withdrew \$6,425.00. She had contributed \$6,000 in March of 2008 for tax year 2008. She had made no other Roth IRA contributions. She was younger than age 59½ and she had not satisfied the five-year rule. The IRA custodian prepared the 2010 Form 1099-R as shown below:

9498		VOID		CORRECTED		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		2010		Form 1099-R	
First Financial 111 Main Street Ames, IA 52210		\$6425.00					
2a Taxable amount		\$		2b Taxable amount not determined		Total distribution	
				X			
3a Distribution code		3b Distribution code		4 Federal income tax withheld		5 State income tax withheld	
42-1234567		XXX-XX-1234		\$		\$0.00	
RECIPIENT'S name		6 Employee contributions (designated Roth contributions or insurance premiums)		7 Net unrealized capital gain (loss)		8 Net unrealized depreciation (gain)	
Jane Doe		\$		\$		\$	
9 Street address (including apt. no.)		10 Distribution code		11 Other		12 State distribution	
153 Carol Lane		J					
City, state, and ZIP code Boston, IA 52200		13 Your percentage of total distribution		14 How are you repaying?		15 State distribution	
		%					
16 Account number (see instructions)		17 Loans repaid		18 Name of trustee		19 Loans distribution	
45856		\$					

The IRS has recently sent this individual a tax assessment letter informing her that she owes \$2,350 in additional income taxes. She is not happy. In talking with her, you learn that she did not include her Roth IRA distribution of \$6425.00 on her 2010 Form 1040. She also did not complete the 2010 Form 8606. She has discussed this situation with the IRS. The IRS now understands that she does not owe the amount the IRS originally claimed.

**Incorrect Guidance,
Continued from page 5**

In addition, the IRS representative has informed the individual that the IRA custodian made an error in preparing the 2010 Form 1099-R and that a 2010 corrected form needs to be prepared by the Roth IRA custodian and submitted to the appropriate IRS office. And the individual will need to attach a copy of the corrected 2010 Form 1099-R when she submits her written response to the IRS.

The IRS representative informed the individual that the Roth IRA custodian needs to prepare a corrected 2010 Form 1099-R by showing Box 2a with 0.00 rather than being left blank.

The problem, the IRS representative is wrong. A corrected 2010 Form 1099-R should not be prepared by the Roth IRA custodian because the original Form 1099-R as set forth on the previous page was prepared correctly. Box 2a is to be left blank for a Roth IRA distribution and that is how it was prepared. No exception applied.

The IRS writes instructions for the individual (see back of Copy B of Form 1099-R). See applicable excerpt below.

Instructions for Recipient

Roth IRAs. For distributions from a Roth IRA, generally the payer is not required to compute the taxable amount. You must compute any taxable amount on Form 8606. An amount shown in box 2a may be taxable earnings on an excess contribution. If you converted or rolled over amounts to a Roth IRA from an eligible retirement plan in 2010, you generally include one half of the taxable amount in income in 2011 and the other half in 2012. See Form 8606.

The IRS also writes instructions for the IRA custodian. The IRS instructions for preparing the Form 1099-R to report a Roth IRA distribution are very clear. The applicable portions of the 2010 IRS instructions for Roth IRA distributions from pages 3 and 8 are set forth below.

Page 3:

Instructions for IRA Custodian

Roth IRAs. For distributions from a Roth IRA, report the gross distribution in box 1 but generally leave box 2a blank. Check the "Taxable amount not determined" box in box 2b. Enter Code J, Q, or T as appropriate in box 7. Do not use any other codes with Code Q or Code T. You may enter Code 8 or P with Code J. For the withdrawal of excess contributions, see Roth IRA on page 8. It is not necessary to mark the IRA/SEP, SIMPLE checkbox.

Page 8:

Box 2a. Taxable Amount

Roth IRA. For a distribution from a Roth IRA, report the total distribution in box 1 and leave box 2a blank except in the case of an IRA revocation or account closure (see page 3) and a recharacterization (see page 5). Use Code J, Q, or T as appropriate in box 7. Use Code 8 or P, if applicable, in box 7 with Code J. Do not combine Code Q or T with any other codes.

However, for the distribution of excess Roth IRA contributions, report the gross distribution in box 1 and only the earnings in box 2a. Enter Code J and Code 8 or P in box 7.

Advice. The IRA custodian should prepare a corrected 2010 Form 1099-R only if the IRS representative will explain in writing why the official IRS instructions should not be followed.

In summary, the financial institution as the IRA custodian sometimes will be required to explain to its customer that it has not made an error and that the guidance furnished by the IRS is incorrect. Obviously, this must be done as tactfully as possible. There is never a good reason to make an IRS representative perturbed. But there are times when an IRA representative, like all of us, must admit his or her mistake.

This individual did not help herself by not reporting this \$6,425 distribution on her 2010 federal income tax return. She or her tax preparer will need to complete the Part III of the 2010 Form 8606 and explain that \$6,000 is not taxable since it was the return of her own contributions, but \$425 is taxable as it is income and she also owes \$42.50 (\$425 x 10%). The penalty tax is reported on Form 5329.

Closing observation. Note that the IRS was furnished a Form 1099-R showing that the distribution was from a Roth IRA. The IRS certainly understood the tax rule, that she did not owe tax on the withdrawal of her own contributions and that most likely much of the \$6,425 were her own contributions. However, she did not explain on her 2010 tax return what portion of the \$6,425 was the return of her contributions and what portion was earnings. Consequently, the IRS prepared its assessment letter based on the assumption the entire distribution was taxable. ♦

HSA Transfers — Permissible or Not?

Apparently an HSA data processor has designed its HSA reporting software in such a way that the HSA custodian does not have the capability of defining a transaction as being a "transfer" and therefore nonreportable for Form 1099-SA and Form 5498-SA purposes. The software needs to be revised.

Continued on page 7

HSA Transfers, Continued from page 6

The IRS instructions are very clear. HSA transfers are permissible. The 2012 Instructions for Forms 1099-SA and 5498-SA provide:

Specific Instructions for Form 1099-SA

Transfers. Do not report a trustee-to-trustee transfer from one Archer MSA or MA MSA to another Archer MSA or MA MSA, one Archer MSA to an HSA, or from one HSA to another HSA. For reporting purposes, contributions and rollovers do not include transfers.

Specific Instructions for Form 5498-SA

Transfers

Do not report a trustee-to-trustee transfer from one Archer MSA or MA MSA to another Archer MSA or MA MSA, from an Archer MSA to an HSA, or from one HSA to another HSA. For reporting purposes, contributions and rollovers do not include these transfers. However, see box 2 on this page for the reporting of a trustee-to-trustee transfer from an IRA to an HSA.

Rollovers

You must report the receipt of a rollover from one Archer MSA to another Archer MSA, and receipt of a rollover from an Archer MSA or an HSA to an HSA in box 4. ♦

Reporting 2012 RMDs for Beneficiaries on the 2011 Form 5498

We at CWF have received a number of calls asking about our statement in the April newsletter that box 11 should not be checked for inherited/beneficiary IRAs. We understand that some major processors have programmed their IRA systems to check box 11 on the 2011 Form 5498 for an inheriting IRA beneficiary required to take an RMD for 2012.

This memorandum discusses CWF's reasoning why box 11 should not be checked for an IRA beneficiary.

The IRS policy regarding IRA beneficiaries and RMD reporting since 2002/2003 has been that an IRA custodian is NOT required to report the RMDs for inherited/beneficiary IRAs. The IRS for many years has furnished instructions for the IRA custodian to complete and furnish Forms 1099-R and 5498. Discussion of RMDs starts on the bottom of page 15. On page 16 of the 2011 Instructions for Forms 1099-R and 5498 the IRS states, "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)." The IRS has not adopted any further guidance.

No reporting means that box 11 is not required to be checked for a beneficiary. Because of this rule, the IRS has also adopted the policy that the IRA custodian is not required to furnish an inheriting IRA beneficiary with an RMD Notice as it must to living accountholders. Some IRA custodians have asked "even though the IRA custodian is not required to furnish this RMD information on the Form 5498 to either the IRS or the beneficiary, may we choose to do so?" With respect to furnishing a Form 5498 for a beneficiary to the IRS with box 11 being checked, we at CWF believe the conservative answer is to not do so. Privacy is a very important subject. Some people are litigious. If the IRS does not require this information be furnished to the IRS, we expect that most beneficiaries would choose to not have it furnished to the IRS.

If an IRA custodian would choose to voluntarily furnish this information to the IRS, such IRA custodian will want to determine if its IRA plan agreement authorizes such action. We would be surprised if the IRA plan agreement authorizes the IRA custodian to send information to the IRS which is not required.

With respect to furnishing a Form 5498 for a beneficiary to the beneficiary with box 11 being checked, this will be unnecessary if the IRA custodian has followed CWF's advice and furnished an RMD Notice to the beneficiary in January. As mentioned previously, the IRA custodian presently has no duty to furnish an RMD Notice to a beneficiary. An IRA custodian may furnish this RMD information to the beneficiary more than once.

As mentioned above, some processors have apparently prepared the 2011 Form 5498 by checking box 11 for an inheriting beneficiary. The immediate question is – will your institution's 5498 filing to the IRS contain a checked box 11 for its IRA beneficiaries?

If not, there is no problem. If so, then an IRA custodian/trustee will need to make a business decision about the situation. It may be that the processor will make a change. We will be checking with the IRS to learn if the IRS would assess the \$50 per form penalty for preparing the Form 5498 for the beneficiary incorrectly. ♦

IRS Issues 2013 HSA Indexed Amounts

The Treasury Department and Internal Revenue Service issued new guidance on the maximum contribution levels for Health Savings Accounts (HSAs) and out-of-pocket spending and deductible limits for High Deductible Health Plans (HDHPs) that must be used in conjunction with HSAs. The HSA contribution limits for 2013 have increased. The 2013 limits are set forth in Revenue Procedure 2012-26. The catch-up contribution amount of \$1,000 is not subject to being adjusted by the COLA adjustment of Code section 223(g) and so it remains at \$1,000 for 2013.

The maximum annual out-of-pocket expense limits and the minimum annual deductible limits have also increased. The minimum annual deductible limits had remained the same for 2010-2012.

HSA Maximum Contribution Limits Under Age 55

	<u>2012</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Single HDHP	\$3,100	\$3,250	+ \$150	4.84%
Family HDHP	\$6,250	\$6,450	+ \$200	3.20%

HSA Catch-Up Contributions

	<u>2012</u>	<u>2013</u>	<u>Change</u>
Age 55 and Older	\$1,000	\$1,000	\$0

HSA Maximum Contribution Limits Age 55 & Older

	<u>2012</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Single HDHP	\$4,100	\$4,250	+ \$150	3.66%
Family HDHP	\$7,250	\$7,450	+ \$200	2.76%

High Deductible Health Plans

	Minimum Annual Deductible			Maximum Annual Out-of-Pocket Expenses		
	<u>2012</u>	<u>2013</u>	<u>Change</u>	<u>2012</u>	<u>2013</u>	<u>Change</u>
Single Coverage	\$1,200	\$1,250	+ \$50	\$6,050	\$6,250	+ \$200
Family Coverage	\$2,400	\$2,500	+ \$100	\$12,100	\$12,500	+ \$400

The IRS announces this change in May each year so that employers and individuals will have sufficient time to plan for HDHP insurance coverage and HSA contributions for 2013.

CWF will be updating our HSA brochures. ♦

Direct Rollover Distribution to Traditional IRA

9896 VOID CORRECTED		OMB No. 1545-0019		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		2012	
ABC 401(k) Plan		\$ 35000.00			
PAYER'S federal identification number		2a Taxable amount		Form 1099-R	
42-1234567		\$ 0.00			
RECIPIENT'S name		2b Taxable amount not determined		Total distribution <input checked="" type="checkbox"/> X	
Jane Doe				Copy A For Internal Revenue Service Center	
Street address (including apt. no.)		3 Capital gain (included in box 2a)		4 Federal income tax withheld	
City, state, and ZIP code		5 Employee contributions / Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities	
DIAGRAM #1		7 Distribution code(s)		8 Other	
		4G			
10 Amount allocable to RRR within 5 years		9a Your percentage of total distribution		9b Total employee contributions	
\$		%		%	
Account number (see instructions)		12 State tax withheld		13 State/Payer's state no.	
1585		\$		\$	
		15 Local tax withheld		16 Name of locality	
		\$		\$	
				2828 VOID CORRECTED	

Form 1099-R Cat. No. 144392

www.irs.gov/form1099

Department of the Treasury - Internal Revenue Service

Direct Rollover Contribution to Traditional IRA

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2, 4, 6, 10, 13a, and 14a)		OMB No. 1545-0047	
First Bank		\$		2012	
TRUSTEE'S or ISSUER'S federal identification number		2 Rollover contributions		Form 5498	
42-8887777		\$ 35000.00			
PARTICIPANT'S name		3 Roth IRA conversion amount		4 Recharacterized contributions	
Jane Doe		\$		\$	
Street address (including apt. no.)		5 For market value of account		6 Life insurance cost included in box 1	
City, state, and ZIP code		7 IRA <input checked="" type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Both IRA <input type="checkbox"/>		8 SEP contributions	
DIAGRAM #2		9 SIMPLE F contributions		10 Both IRA contributions	
		\$		\$	
12a RMD date		12b RMD amount		11 Check if RMD for 2013	
\$		\$		<input type="checkbox"/>	
13a Postponed contribution		13b Year		13c Code	
\$					
14a Repayments		14b Code			
\$					
Account number (see instructions)					
9581					
				Form 5498 Cat. No. 500107 www.irs.gov/form5498 Department of the Treasury - Internal Revenue Service	

IRA Contribution Information

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Direct Rollover Distribution to Roth IRA

9896 VOID CORRECTED		OMB No. 1545-0019		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution		2012	
ABC 401(k) Plan		\$ 35000.00			
PAYER'S federal identification number		2a Taxable amount		Form 1099-R	
42-1234567		\$ 35000.00			
RECIPIENT'S name		2b Taxable amount not determined		Total distribution <input checked="" type="checkbox"/> X	
Jane Doe				Copy A For Internal Revenue Service Center	
Street address (including apt. no.)		3 Capital gain (included in box 2a)		4 Federal income tax withheld	
City, state, and ZIP code		5 Employee contributions / Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities	
DIAGRAM #3		7 Distribution code(s)		8 Other	
		4G			
10 Amount allocable to RRR within 5 years		9a Your percentage of total distribution		9b Total employee contributions	
\$		%		%	
Account number (see instructions)		12 State tax withheld		13 State/Payer's state no.	
1885		\$		\$	
		15 Local tax withheld		16 Name of locality	
		\$		\$	
				2828 VOID CORRECTED	

Form 1099-R Cat. No. 144392

www.irs.gov/form1099

Department of the Treasury - Internal Revenue Service

Direct Rollover Contribution to Roth IRA

TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code		1 IRA contributions (other than amounts in boxes 2, 4, 6, 10, 13a, and 14a)		OMB No. 1545-0047	
First Bank		\$		2012	
TRUSTEE'S or ISSUER'S federal identification number		2 Rollover contributions		Form 5498	
42-8887777		\$ 35000.00			
PARTICIPANT'S name		3 Roth IRA conversion amount		4 Recharacterized contributions	
Jane Doe		\$		\$	
Street address (including apt. no.)		5 For market value of account		6 Life insurance cost included in box 1	
City, state, and ZIP code		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Both IRA <input checked="" type="checkbox"/> X		8 SEP contributions	
DIAGRAM #4		9 SIMPLE F contributions		10 Both IRA contributions	
		\$		\$	
12a RMD date		12b RMD amount		11 Check if RMD for 2013	
\$		\$		<input type="checkbox"/>	
13a Postponed contribution		13b Year		13c Code	
\$					
14a Repayments		14b Code			
\$					
Account number (see instructions)					
3377					
				Form 5498 Cat. No. 500107 www.irs.gov/form5498 Department of the Treasury - Internal Revenue Service	

IRA Contribution Information

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Direct Rollover of Partial Distribution to Traditional IRA

9898 VOID CORRECTED		1 Gross distribution \$ 20000.00		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code ABC 401(k) Plan		2a Taxable amount \$ 0.00		2012 Form 1099-R		Copy A For Internal Revenue Service Center	
PAYER'S federal identification number 42-1234567		2b Taxable amount not determined		3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$	
RECIPIENT'S identification number 478-14-5555		5 Employee contributions (Designated Roth contributions or insurance premiums) \$		6 Net unrealized appreciation in employer's securities \$		7 Distribution code(s) 4G	
Street address (including apt. no.)		7a Your percentage of total distribution %		8 Other %		9b Total employee contributions \$	
City, state, and ZIP code DIAGRAM #5		10 Amount allocable to RRP within 5 years \$		11 1st year of design. Roth contrib. \$		12 State tax withheld \$	
Account number (see instructions) 8558		13 State/Payer's state no. \$		14 State distribution \$		15 Local tax withheld \$	
Form 1099-R Cat. No. 14439Q www.irs.gov/form1099 Department of the Treasury - Internal Revenue Service		16 Name of locality 2828		17 Local distribution \$			

Partial Direct Rollover to Traditional IRA

9898 VOID CORRECTED		1 IRA contributions (other than amounts in boxes 2, 4, 5, 10, 13a, and 14a) \$		OMB No. 1545-0747		IRA Contribution Information	
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code First Bank		2 Rollover contributions \$ 20000.00		Form 5498		Copy A For Internal Revenue Service Center	
TRUSTEE'S or ISSUER'S federal identification number 42-8887777		3 Roth IRA conversion amount \$		4 Rollover contributions \$		5 Fair market value of account \$ 20800.00	
PARTICIPANT'S social security number 478-14-5555		6 Life insurance cost included in box 1 \$		7 IRA <input checked="" type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>		8 SEP contributions \$	
PARTICIPANT'S name Jane Doe		9 SIMPLE contributions \$		10 Roth IRA contributions \$		11 Check if RMD for 2013 <input type="checkbox"/>	
Street address (including apt. no.)		12a RMD date \$		12b RMD amount \$		13a Postponed contribution \$	
City, state, and ZIP code DIAGRAM #6		13b Year \$		13c Code \$		14a Repayments \$	
Account number (see instructions) 1122		14b Code \$					
Form 5498 Cat. No. 50010Q www.irs.gov/form5498 Department of the Treasury - Internal Revenue Service							

Direct Rollover of Partial Distribution to Roth IRA

9898 VOID CORRECTED		1 Gross distribution \$ 5000.00		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city, state, and ZIP code ABC 401(k) Plan		2a Taxable amount \$ 5000.00		2012 Form 1099-R		Copy A For Internal Revenue Service Center	
PAYER'S federal identification number 42-1234567		2b Taxable amount not determined		3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$	
RECIPIENT'S identification number 478-14-5555		5 Employee contributions (Designated Roth contributions or insurance premiums) \$ 0.00		6 Net unrealized appreciation in employer's securities \$		7 Distribution code(s) 4G	
Street address (including apt. no.)		7a Your percentage of total distribution %		8 Other %		9b Total employee contributions \$	
City, state, and ZIP code DIAGRAM #7		10 Amount allocable to RRP within 5 years \$		11 1st year of design. Roth contrib. \$		12 State tax withheld \$	
Account number (see instructions) 4439		13 State/Payer's state no. \$		14 State distribution \$		15 Local tax withheld \$	
Form 1099-R Cat. No. 14439Q www.irs.gov/form1099 Department of the Treasury - Internal Revenue Service		16 Name of locality 2828		17 Local distribution \$			

Partial Direct Rollover to Roth IRA

9898 VOID CORRECTED		1 IRA contributions (other than amounts in boxes 2, 4, 5, 10, 13a, and 14a) \$		OMB No. 1545-0747		IRA Contribution Information	
TRUSTEE'S or ISSUER'S name, street address, city, state, and ZIP code First Bank		2 Rollover contributions \$ 5000.00		Form 5498		Copy A For Internal Revenue Service Center	
TRUSTEE'S or ISSUER'S federal identification number 42-8887777		3 Roth IRA conversion amount \$		4 Rollover contributions \$		5 Fair market value of account \$ 5800.00	
PARTICIPANT'S social security number 478-14-5555		6 Life insurance cost included in box 1 \$		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input checked="" type="checkbox"/>		8 SEP contributions \$	
PARTICIPANT'S name Jane Doe		9 SIMPLE contributions \$		10 Roth IRA contributions \$		11 Check if RMD for 2013 <input type="checkbox"/>	
Street address (including apt. no.)		12a RMD date \$		12b RMD amount \$		13a Postponed contribution \$	
City, state, and ZIP code DIAGRAM #8		13b Year \$		13c Code \$		14a Repayments \$	
Account number (see instructions) 9331		14b Code \$					
Form 5498 Cat. No. 50010Q www.irs.gov/form5498 Department of the Treasury - Internal Revenue Service							