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## ALSO IN THIS ISSUE –



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



# IRS Issues 2024 Indexed Amounts for HSAs

The HSA contribution limits for 2024 are $300 higher for single HDHP coverage and $550 higher for family HDHP coverage. The Treasury Department and Internal Revenue Service issued new guidance on the maximum contribution levels for High Deductible Health Plans (HDHPs) that must be used in conjunction with HSAs. The 2024 limits are set forth in Revenue Procedure 2023-23.

### Maximum Contribution Limits Under Age 55

| | 2023 | 2024 |
|---|---|---|
| Single HDHP | $3,850 | $4,150 |
| Family HDHP | $7,750 | $8,300 |

### Maximum Contribution Limits Age 55 & Older

| | 2023 | 2024 |
|---|---|---|
| Single HDHP | $4,850 | $5,150 |
| Family HDHP | $8,750 | $9,300 |

### HSA Catch-Up Contributions

| | 2023 | 2024 |
|---|---|---|
| Age 55 and Older | $1,000 | $1,000 |

### High Deductible Health Plans

| | Minimum Annual Deductible | | Maximum Annual Out-of-Pocket Expenses | |
|---|---|---|---|---|
| | 2023 | 2024 | 2023 | 2024 |
| Single Coverage | $1,500 | $1,600 | $7,500 | $8,050 |
| Family Coverage | $3,000 | $3,200 | $15,000 | $16,100 |

## Resigning as the IRA Custodian - a be Careful Subject if the IRA Funds Are Not Being Transferred to Another IRA Custodian

There will be times when an IRA custodian wishes to resign as the IRA custodian. The traditional IRA plan agreement should set forth the procedures to be used to resign.

As a general administrative rule, the IRA custodian wants to close the person's IRA by transferring the IRA funds to a successor IRA custodian rather than distributing the funds to the IRA owner.

A financial institution might wish to resign due to its business decision to no longer provide certain services with respect to hard to value investments. For example, the IRA custodian would mail a letter to the IRA owner stating, "We have made the business decision to no longer service traditional IRAs which hold certain hard to value investments. Your traditional IRA holds such investments. You may instruct us to liquidate these investments and reinvest the proceeds. However, if you wish to retain these types of investments, you will need to establish an IRA with an IRA custodian willing to service IRAs with such investments. We hereby inform you we are resigning as the IRA custodian. Our resignation is effective as of _________. We are providing you 45 days rather than the 30 days set forth in paragraph 2.7 of Article VIII. We will assist in transferring your traditional IRA funds to your new IRA custodian. It is best if you transfer your IRA funds because there could be times when you intend to rollover such distribution, but you then determine that you are ineligible to make a rollover contribution. You may wish to discuss your situation with your tax advisor."

Again, as a general rule, an IRA custodian never wants to make a distribution to an IRA owner unless the IRA owner has requested the distribution. Why?

There is a good chance of litigation if an IRA custodian distributes IRA funds to a person who has not requested the distribution and person is ineligible to rollover such distribution. Why? The individual has an income liability he or she did not expect to have. In 2014 the IRA rollover rules were changed to restrict a person's right to rollover only one distribution in a 12 consecutive month period. For example, if Jane Doe withdrew $48,000 6 months ago and made a rollover contribution of the $48,000 within the 60 day time period into another IRA, then the individual is not required to include the $48,000 in her taxable income. However, if the IRA custodian makes a second IRA distribution of $48,000 to Jane Doe within the 12 month period, this second IRA distribution cannot be rolled over. Is she was in the 25% tax bracket, her tax liability is $12,000. This would be the result if the financial institution serving as the IRA custodian resigned and then made a distribution to Jane Doe 45 days later because Jane Doe had not responded to the financial institution's resignation letter.

If a financial institution wishes to resign as the IRA custodian, it is best that the IRA custodian has a plan of action to have each of the affected IRA owners find a new IRA custodian and then transfer such IRA funds.

## Designating a Responsible Individual For an Inheriting IRA Beneficiary

There are no special RMD rules just because the beneficiary is a minor. All inherited IRAs must comply with the required distribution laws. Required distributions must be made to the beneficiary in the proper amount or the excess accumulations tax will apply.

An IRA owner who has designated a minor child as an IRA beneficiary may wish to designate a person to be a responsible individual for such a minor and act on behalf of the child until the child reaches the age of majority.

An IRA owner who has designated an adult child who is a spendthrift as an IRA beneficiary may wish to designate a person to be a responsible individual for such adult child.

CWF has created Form IRA #45-IRA. This form is an amendment to the IRA plan agreement. It authorizes the designation of a responsible individual (a person to act on behalf of the beneficiary).

## Can't We Just Treat My IRA Contribution or My IRA Distribution as it Didn't Happen?

We have been informed in a number of consulting calls from IRA custodians that some of their customers, some attorneys and accountants and some core processors believe it is permissible to reverse an IRA contribution or IRA distribution and treat it as if it had never occurred. IRS rules do not permit this. With very limited exceptions, all IRA contributions and all IRA distributions must be reported on Forms 5498 and 1099-R. Remember, the IRS now has the authority for 2023 to assess a penalty of $290 (times 2) for any incorrect or non-prepared Form 1099-R and $50.00 (times 2) for any incorrect or non-prepared Form 5498.

## Reporting IRA Distributions on Form 1099-R

An IRA custodian must report all IRA distributions on Form 1099-R. There are two exceptions.

Exception #1. The distribution was a non-reportable transfer distribution.

Exception #2. There is no requirement to prepare a Form 1099-R for a person if the total of the distributions for the year is less than $10.

There is no exception because the person had the distribution for only a very short amount of time (e.g. 1/2 hour, 1 hour, 3 hours, one day. etc.) and there is no exception because someone claims a mistake was made.

The primary rules for reporting IRA distributions are:

1. There must be a separate Form 1099-R prepared whenever a separate distribution code applies. For example, Jane Doe is age 45 and she withdraws funds from her personal IRA and she also withdraws her required distribution with respect to the IRA she inherited from her mother. There must be two 1099-R forms prepared, one would have a code 1 and one would have a code 4.

2. The Form 1099-R must be prepared on a per IRA plan agreement basis. For example, Jane Doe age 61 has two traditional IRAs and she takes a distribution from both IRAs. There must be two 1099-R forms prepared and both would have a code 7 in box 7.

3. The account number box on the Form 1099-R must be completed with an account number whenever more than one Form 1099-R must be prepared.

## Reporting IRA Contributions

An IRA custodian must report all IRA contributions on Form 5498 except for non-reportable transfer contributions. There is no de mimimis IRA contribution rule. All annual contributions must be reported regardless of the size of the contribution or how short of time the contribution was in the IRA. This is also true for the other contribution types - rollovers, Roth IRA conversion, recharacterized contributions, postponed contributions, and reportable transfer contributions.

All contributions means all contributions. There is no exception because the contribution was very small or the contribution was in the IRA for only a short amount of time.

Set forth below is a listing of certain movement of funds which must be reported on the Form 5498 because they are a special type of transfer or they are a direct rollover coming from a 401(k) plan or other employer sponsored plan. Mistakes will happen as a direct rollover looks like a transfer as the check is made payable to the IRA custodian. Even so, it must be reported as a rollover by the IRA custodian.

1. Direct rollover of taxable 401(k) funds into a traditional IRA
2. Direct rollover of taxable 401(k) funds into a Roth IRA
3. Direct rollover of non taxable 401(k) funds into a traditional IRA
4. Direct rollover of non taxable 401(k) funds into a Roth IRA
5. Direct rollover of Designated Roth funds into a Roth IRA
6. Converting traditional/SEP/SIMPLE-IRA to a Roth IRA
7. Recharacterizing either an annual contribution or a Roth IRA conversion contribution
8. Sending traditional IRA funds to a 401(k) plan (quasi-direct rollover).

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# Informing Others About the Qualified Charitable Distribution Rules

Charities and churches do not communicate as well as they should the tax benefits to be realized when a person makes a qualified charitable distribution with respect to their IRA.

Statutory law provides that a person age 70½ or older may give funds from their traditional IRA to a charity and this individual is not required to pay tax on this IRA withdrawal to the extend of $100,000 per year. This law benefits all IRA owners age 70½ and older, but it does benefit wealthy individuals more.

The IRS on its own decided to expand the tax benefit by allowing a person to use a QCD to satisfy their RMD for a tax year. The statutory law does not set forth this tax benefit.

Set forth below is text found in CWF's IRA brochure discussing QCDs. QCDs can be used by communities to meet their goals.allowed.

### What is the benefit of the law?

In general, a person age 70½ or older will be able to direct his or her IRA custodian to withdraw an amount of up to $100,000 from his or her IRA and have such proceeds sent directly to a qualifying charitable organization. The distribution will be tax-free if certain rules are met.

Under the existing tax rules, approximately two-thirds of tax filers use the standard deduction and are unable to claim a deduction for their charitable contributions. There are many people over age 70½ who use the standard deduction. There will now be an incentive for these individuals to withdraw funds from their IRA and give them to a charity.

### What is the main effect of the QCD rules?

Many individuals are interested in contributing their IRA RMD to their church or other qualifying charity.

Due to the fact that these rules in prior years were not permanent, many individuals may not have been aware of the QCD rules.

### Is there a deadline to make a QCD?

Yes, if you wish to make a QCD for the 2022 tax year, it must be made by December 31, 2022. The deadline for the 2023 tax year is December 31, 2028 and for any subsequent year by December 31st of such year.

### What requirements must I meet in order to take advantage of this charitable contribution law?

1. You must be age 70½ or older.
2. You must have a traditional or Roth IRA.
3. Your charitable contributions must otherwise be deductible. A distribution qualifies to be a qualified charitable distribution only if a deduction for the entire distribution would be allowable to be deducted under Code section 170 (but you are able to disregard the percentage limits). **Caution:** You receive the tax-free charitable contribution treatment only if the entire amount would have qualified as a charitable deduction. Thus, if the contribution amount is reduced because of a benefit received by you in exchange, or because the custodian does not obtain sufficient substantiation, the exclusion is not available with respect to any part of the IRA distribution.
4. The distribution, but for this rule, must otherwise have been required to be included in your gross income. The withdrawal of basis (i.e. nondeductible contributions) from a traditional IRA is not includable in income, and consequently, such withdrawal does not qualify as a tax-free charitable contribution. If the withdrawal from a Roth IRA will not be taxed because it is either the withdrawal of basis or because the distribution is a qualified distribution, such withdrawal does not qualify as a tax-free charitable contribution.
5. Payment, no matter in what form (electronic transfer, check, etc.), must be made directly from the IRA to the qualifying charitable organization. The instrument used for payment must not be negotiable by the IRA accountholder.

### Is there a limit on the amount which can be contributed to a charity each year?

Yes, you may contribute up to a maximum of $100,000 each year.

### May my spouse and I both make this type of contribution?

If you and your spouse have separate IRAs, you may each contribute the maximum of $100,000 per year.

### If I have two or more IRAs, may I contribute $100,000 from each one?

No, the maximum you can contribute per year is $100,000. This maximum is "per person," NOT "per IRA."

### Will the amount I contribute under this distribution option count toward my required minimum distribution (RMD) for the year?

Yes, the IRS has issued guidance that any amount distributed as a qualifying charitable contribution for a given year, will be counted toward your RMD for that year.

### May I deduct this contribution on my Schedule A as a charitable contribution?

No, any amount which you donate to charity under this new charitable contribution rule cannot be deducted as an itemized deduction for that year on Schedule A of your Form 1040 income tax return.

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QCD Rules,
Continued from page 4

### Would it benefit me to have the distribution come from my Roth IRA rather than my traditional IRA?

Almost never. It will benefit you to use this new rule, and you are eligible to use this new rule only if the distribution from your Roth IRA would be a non-qualified distribution and would be comprised of taxable income.

For example, Roth distributions are always qualified and tax-free if the 5-year rule has been met and the accountholder is age 59½ or older. A qualified Roth distribution cannot be used to make a qualified charitable distribution.

### Additional Tax Benefits to the IRA Accountholder

In the case of a distribution of funds from a traditional IRA, the special pro rata taxation rule as set forth in Code section 72 for IRAs is not to be used. In the case of a non-qualified distribution from a Roth IRA, the standard ordering rules (annual contributions, conversion contributions, and then earnings) will not be used.

Rather, the distribution is treated as consisting of income first, up to the aggregate amount that would be includable in gross income (but for this provision) if the aggregate balance of all IRAs were distributed during the same year. Proper adjustments in calculating the tax treatment of future distributions are to be made to reflect the fact that "taxable income" was transferred to the charity. These distributions which were excluded from gross income are not taken into account in determining the deduction for charitable contributions under section 170.

### What charities qualify in order for the IRA distribution to be tax-free for the accountholder?

The so-called 50-percent organizations, as defined in Code section 170(b)(1)(A) will qualify. However, the supporting organizations described in Code section 509(a)(3) are excluded, as are donor advised funds. The qualifying 50-percent organizations are: churches, a convention or association of churches, educational institutions, hospitals, organizations supporting government schools, medical research organizations, governmental units, publicly supported organizations, common fund foundations, certain private operating foundations, and conduit foundations. Publication 526, Charitable Contributions, lists the following organizations as being the most common:

1. Churches, synagogues, temples, mosques, and other religious organizations;
2. Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt);
3. Nonprofit schools and hospitals;
4. Public parks and recreation facilities;
5. Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc.
6. War Veteran's groups.

A distribution given to a private foundation does not qualify as a tax-free charitable contribution, since a private foundation is not a public charity. Also, a distribution used to fund a charitable remainder trust or gift annuity does not qualify as a tax-free charitable contribution.

### How do I indicate that I wish to make a qualifying tax-free charitable contribution?

If you are an individual who qualifies for this special tax benefit, you will want to contact your IRA custodian or trustee. Your IRA custodian will have the proper form to complete to indicate the amount of the distribution and the charity to which you want the funds sent. The IRA custodian/trustee remitting the funds may also want to have the charity sign a special certification form prior to remitting the funds. The funds will then be withdrawn from your IRA and will be paid directly to the qualifying charity of your choice. This distribution will be tax-free. The charity should furnish you with a receipt for your gift.

### Can the charitable distribution be made from a SEP-IRA or SIMPLE-IRA?

Distributions from SEP-IRAs or SIMPLE-IRAs are generally <u>ineligible</u> for this special treatment, as are distributions from qualified plans and other types of retirement plans. However, funds within a SEP-IRA or a SIMPLE-IRA are ineligible to be a QCD only if the SEP-IRA or the SIMPLE-IRA is "ongoing." The IRS has defined "ongoing" to mean there needs to be an employer contribution made for the plan year ending with or within the IRA owner's taxable year in which the charitable contributions would be made. If an employer has <u>not</u> made an annual contribution, then funds may be directly transferred from a SEP-IRA or SIMPLE-IRA as a QCD, assuming the other requirements have been met.

In addition, it would be possible to roll over funds from a SEP-IRA, SIMPLE-IRA (after the two-year holding period has been met), and other types of retirement plans to a traditional IRA and then make the charitable contribution from the traditional IRA.

### Can a beneficiary who has inherited an IRA make a qualified charitable distribution and use it to satisfy his or her RMD?

Yes, but the beneficiary must comply with all of the requirements, including being age 70½ or older.

### Is special IRS reporting required?

Your IRA custodian will prepare a Form 1099-R, as they would for any IRA distribution. You will be responsible to show on your Form 1040, why the distribution is not taxable.

The IRS instructions for reporting a qualified charitable distribution on Form 1040 state:

> *"If the distribution is a qualified charitable distribution (QCD), enter the total distribution on line 15a. If the total amount distributed is a QCD, enter -0- on line 15b. If only part of the distribution is a QCD, enter the part that is not a QCD on line 15b (unless another exception applies to that part of the distribution). Enter QCD next to line 15b."*

### Should I discuss this subject with my legal or tax advisor to make sure I qualify for this special tax treatment?

Yes. You are entitled to exclude the transferred amount from your taxable income only if numerous conditions are met.

## Designated Roth Funds Are Eligible to be Directly Rolled Over to a Roth IRA or in Some Cases to a Traditional IRA

More individuals are making "Roth" contributions. The tax-free income aspect is enticing. "Roth" contributions may either be made to a Roth IRA or they may be made to a 401(k) plan which allows for designated Roth contributions.

Many employers with 401(k) plans are revising their plans to authorize a participant to make an after-tax elective deferral contribution into a designated Roth account. Many of the employees appreciate being given the opportunity to make elective deferrals to a designated Roth account along with making standard elective deferrals. In some cases the key employees of an employer are ineligible to make annual Roth IRA contributions because of the income restrictions.

When the participant is eligible for a distribution from the 401(k) plan the participant must decide if the entire balance in the designated Roth account will be directly rolled over or if only a portion will be rolled over. If distributed, the earnings portion of a designated Roth account will be tax-free only if the distribution is a qualified distribution.

Almost always the participant will instruct to directly rollover 100% of the distribution to a Roth IRA. However, with respect to the earnings portion of a Designated Roth account a participant may rollover the earnings portion to a traditional IRA rather than a Roth IRA. The person might do this to simplify their tax accounting.

The IRS in May of 2016 adopted a final regulation. The purpose of the regulation was to eliminate the requirement that a disbursement from a designated Roth account that is directly rolled over to a Roth IRA be treated as a separate distribution from any amount paid directly to the participant and therefore separately subject to the pro-rata taxation rule allocating pre-tax and after-tax amounts to each distribution. The new rule is pretax amounts are allocated first to the direct rollover rather than being allocated pro-rata to both distributions. Also, the participant has the right as with other non-designated accounts funds to direct the allocation of pretax and after-tax amounts to a traditional IRA and/or a Roth IRA. If the distribution of the earnings with respect to the designated Roth account would not be qualified, then the participant can choose to directly rollover such portion to a traditional IRA rather than a Roth IRA. We expect most individuals would still decide to have such earnings directly rolled over into a Roth IRA. If such earnings were distributed from the Roth IRA before the individual was eligible for a qualified distribution from the Roth IRA such earnings would be taxable.

What is one practical impact of this change?

For discussion purposes, we will assume that Jane Doe age 37 has $4,470 in a designated Roth account. Of this amount $4,000 is attributable to her elective deferrals and $470 is the earnings portion. She could elect to receive $4,000 in cash to pay-down some credit card balances and she could elect to directly rollover the $470 into her traditional IRA so she would not be required to include the $470 in her income. Alternatively, she could elect to directly rollover the $4,000 into her Roth IRA and she could elect to directly rollover the $470 into her traditional IRA so she would not be required to include the $470 in her income.

By issuing this regulation along with the guidance in Notice 2014-54, the IRS has given an individual great flexibility in withdrawing pretax and post-tax funds from qualified plans, including 401(k) plans with designated Roth accounts. This IRS action allows an individual to simplify the tax accounting for distributions from 401(k) plans.

Reporting Contributions
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9. Sending SEP-IRA funds to a 401(k) plan (quasi-direct rollover).
10. Sending SIMPLE-IRA funds to a 401(k) plan (quasi-direct rollover), but only if 2 year requirement met.

Set forth below is a listing of those transfer contributions which are not reportable on Form 1099-R.

1. traditional IRA to traditional IRA
2. Roth IRA to Roth IRA
3. SEP-IRA to SEP-IRA
4. SIMPLE-IRA to SIMPLE-IRA
5. traditional IRA to SEP-IRA
6. SEP-IRA to traditional IRA
7. SEP-IRA to SIMPLE-IRA, but only if 2 year requirement met
8. SIMPLE-IRA to traditional IRA, but only if 2 year rule met
9. SIMPLE-IRA to SEP-IRA, but only if 2 year rule met.

The Form 5498 must be prepared on a per IRA plan agreement basis. For example, Jane Doe age 61 has two traditional IRAs, she makes an annual contribution to one and she makes a rollover contribution to the other. There must be two 5498 forms prepared since there are two separate IRA plan agreements. It would certainly be permissible that a person would only have one IRA plan agreement to which the two types of contributions would be made.

In summary, an IRA custodian must report each and every IRA contribution which goes into an IRA regardless of size or length of time within the IRA. Each contribution must be reported in the proper contribution box - annual, rollover, conversion, recharacterization, SEP, SIMPLE or Roth.

It should be remembered that the IRA custodian reports aggregated annual contributions, rollovers, recharacterizations, etc. For example, Jane Doe rollovers over $40,000 from her former employer's 401(k) plan and also rollovers $10,000 from IRA custodian #1 and $20,000 from IRA custodian #2. In the rollover box (box 2) the amount of $70,000 is reported. The IRS is not informed of the individual rollover contributions comprising the $70,000. The distributing plan or IRA will prepare the 1099-R forms reporting the individual distributions.

## No Direct Rollovers From One to Another IRA

An IRA accountholder may move funds from one IRA to another IRA by two different methods. The IRA funds may be transferred from one IRA plan to a second IRA plan. Or, the individual may take a distribution from one IRA and then make a rollover contribution into a second (or the same) IRA. Certain rules must be met. Two basic rules are: only one rollover every 12 months and the rollover must be completed within 60 days of the distribution.

The Internal Revenue Code and the Form 1099-R instructions do not authorize an accountholder to directly rollover funds from one IRA to another IRA.

Code section 401(a)(31) defines a direct rollover as the direct transfer of plan funds from a qualified plan, section 403(b) plan or certain governmental 457 plans to an eligible plan. That is, the direct transfer must come from an employer plan. An IRA is not listed as being a plan from which a direct rollover distribution is made.

In order to qualify as a direct rollover, the plan administrator must issue the payment to an IRA custodian or other plan administrator. The check can't be issued to the participant.

The IRS gives guidance as to how to report on the Form 1099-R a direct rollover distribution. In general, Box 1 is completed with the gross amount of the distribution, and Box 2a (taxable amount) is completed with a 0.00. The paying plan administrator knows it sent the check to the other plan and therefore it is not taxable.

Some tax preparers believe that the direct rollover rules do apply to some IRA distributions and they try to argue that Box 2a should be completed with a 0.00. They are wrong.

## Four Planning Concepts - Why More Individuals Will Want or Should Want a Profit Sharing or One Person 401(k) Plan

1. These plans by law authorize employers to make very large annual contributions and to claim deductions for such amounts. With a profit sharing plan an employer, including a one person plan, is permitted to contribute 25% of a person's compensation up to a maximum of $61,000 for 2022 and $66,000 for 2023. This is the same limit applying to a SEP-IRA plan. If the plan is a 401(k) plan, the employer is also allowed to contribute and deduct the applicable elective deferral limit. This additional contribution cannot be made under the SEP-IRA plan. The IRS chooses to not discuss the right of an employer to deduct the elective deferrals in addition to the 25% of compensation limit.

As discussed in planning concepts 2 and 3, an individual wants to accumulate as large a balance as possible within a Roth IRA and/or a designated Roth account within a 401(k) plan or similar plan. Why? There are not many investments that generate tax-free income year-after-year.

2. The 401(k) plan may allow the making of Designated Roth IRA contributions.

An individual whose income is too high is ineligible to make regular Roth IRA contributions. There is no income restriction for making designated Roth contributions to a 401(k) plan. An individual must participate in a 401(k) plan written to authorize the making of designated Roth IRA contributions. Either a new plan must be established or an existing plan must be amended to include this feature.

3. These two plans can be established to accept certain rollovers from IRAs so that an individual may isolate his or her non-deductible basis and then convert such an amount tax-free to his or her Roth IRA.

There will be individuals having traditional IRAs containing both taxable funds and nontaxable funds. An individual will be less inclined to convert such funds because any conversion will contain both a taxable portion and a nontaxable portion. Taxes must be paid on the taxable portion. For example, John Doe has $120,000 of taxable funds and $30,000 of nontaxable funds in his traditional IRA or IRAs. If he converts the entire $150,000, then he will pay taxes on the $120,000. If he converts less than $150,000, then 80% ($120,000/$150,000) will be taxable and 20% will be nontaxable.

However, with some planning, this pro-rata rule need not apply. Most qualified plans are written to prohibit rolling over any nontaxable funds within an IRA into the qualified plan. That is, the $30,000 of basis may not be rolled over into a qualified plan. Therefore, John will find it worthwhile to roll over his $120,000 into his profit sharing plan. And if he does so, then the remaining $30,000 within the traditional IRA is nontaxable and is eligible to be converted to a Roth IRA no taxes owing.

It is generally thought that from 1987-2009 few individuals chose to make non-deductible traditional contributions even though they were eligible to do so. Presumably, they did not think the economic benefit was sufficiently large to induce them to make the nondeductible contribution. Many of these individuals had high incomes and were ineligible make a conversion under the pre-2009 conversion rules.

Now that everyone with funds in a traditional IRA is eligible to convert traditional IRA funds, more individuals are making nondeductible contributions and then converting them.

4. These plans as all qualified plans and unlike IRAs are permitted to have individuals act as the plan trustee rather than having a financial institution as a corporate entity serve as the plan trustee. Individuals like these plans because they can serve as the trustee. Financial institutions like these plans because the individual is the fiduciary rather than the financial institution.

In order to establish a profit sharing plan or a 401(k) plan, an employer will generally adopt a standardized or non-standardized prototype as sponsored by a bank or other regulated financial institution, an accounting firm, a law firm or a pension consulting firm. There are costs associated with writing, maintaining and filing such prototype plans with the IRS and so a prototype sponsor such as CWF charges various fees in order for an employer to establish such a plan. These plans are more complicated than IRAs and the large tax benefits mean individuals are willing to pay reasonable fees to be able to realize such tax benefits.