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“The Pension Specialists”



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LIKELY CHANGES IN 2024 IRA LIMITS

Around October 15, 2023, the IRS will announce the 2024 IRA limits.

The rate of inflation for the fiscal year ending September 30, 2023, will be substantially larger (estimate of 6.0%) than it has been in many of the preceding years. Consequently, various IRA limits will be increasing more than has been the case in many of the prior years. These likely changes for 2024 IRA limits are set forth.

These are only estimates and they may change, but there is no doubt that many of the IRA limits will be increasing. The \$7,000 increase in the maximum IRA contribution limit should lead to increased IRA contributions.

The IRA contribution limit (traditional and Roth) for 2024 increases to \$7,000. So, the maximum contribution limit will be \$7,000 for an individual under age 50 and \$8,000 for an individual age 50 or older.

The income limits applying to making a deductible contribution are also increasing as are the Roth IRA eligibility limits. More individuals who are active participants will

be eligible to claim a tax deduction for their traditional IRA contribution and more individuals will be eligible to make a Roth IRA contribution.

The limits for SEP-IRAs, and SIMPLE-IRAs plans are also increasing. The maximum SEP-IRA contribution limit will be \$68,000 up from \$66,000. The deferral limits for SIMPLE-IRAs will be \$16,000 (under age 50) and \$19,500 (age 50 or older).

IRA Contribution limits for a person who is not age 50 or older.

Tax Year	Amount
2008-12	\$5,000
2013-18	\$5,500
2019-22	\$6,000
2023	\$6,500
2024	\$7,000

IRA Contribution Limits for a person who is age 50 or older.

Tax Year	Amount
2008-12	\$6,000
2013-18	\$6,500
2019-22	\$7,000
2023	\$7,500
2024	\$8,000

IRS to Issue 2024 IRA/Pension Limits

Likely Changes

	2022	2023	Estimates 2024
Taxable Wage Base — OASDI Only	\$147,000	\$160,200	\$167,700
SEP and Qualified Plan			
Maximum Compensation Cap – 401(a)(17) & 404(e)	\$305,000	\$330,000	\$340,000
Elective (Salary) Deferral Limit – 401(k) & SAR-SEP	\$20,500	\$22,500	\$23,000
Elective Deferral Catch-up Limit for 401(k)	\$6,500	\$7,500	\$7,500
SIMPLE Deferral Limit – 408(p)(2)(A)	\$14,000	\$15,500	\$16,000
SIMPLE Catch-up Limit	\$3,000	\$3,500	\$3,500
Highly-Compensated Employees (Compensation as Indexed)	\$135,000	\$150,000	\$155,000
Defined Benefit Limit – Section 415(b)(1)(A)	\$245,000	\$245,000	\$245,000
Defined Contribution Limit – Section 415(c)(1)(A)	\$61,000	\$66,000	\$68,000
SEP Minimum Compensation Threshold – 408(k)(2)(c)	\$650	\$650	\$650
Key Employee Top Heavy — 41(i)(ii)(a)(i)	\$200,000	\$220,000	\$220,000

IRA Contribution Deductibility Chart for 2023

(for participants and/or spouses in
employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single or Head of Household

Below \$73,000 or less	Entitled to full deduction
\$73,001-\$82,999.99	Entitled to prorated deduction amount - use special formula**
\$83,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$73,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below \$116,000 or less	Entitled to full deduction
\$116,001 - \$135,999.99	Entitled to prorated deduction amount - use special formula**
\$136,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$116,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married -

joint return, but only you are covered or qualifying widower

Below \$116,000 or less	Fully Deductible
\$116,001-\$135,999.99	Entitled to prorated deduction amount - use special formula**
\$136,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$116,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below \$218,000 or less	Fully Deductible
\$218,001-\$227,999.99	Entitled to prorated deduction amount - use special formula**
\$228,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$218,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below \$10,000	Entitled to prorated deduction amount - use special formula**
\$10,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot deduct.* A special rule provides that a married individual is not considered Married for IRA purposes for any year in which the individual and the individual's spouse file separate returns and did not live together at any time during the tax year.

*Any amount determined under this formula which is not a multiple of \$10 shall be rounded to the next lowest \$10.

However, an IRA accountholder will be able to deduct a minimum of \$200 as long as his or her AGI is not above the phase-out range (base amount plus \$10,000).

IRA Contribution Deductibility Chart for 2024 (Estimated)

(for participants and/or spouses in
employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single or Head of Household

Below \$77,000 or less	Entitled to full deduction
\$77,001-\$86,999.99	Entitled to prorated deduction amount - use special formula**
\$87,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$77,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, both are covered or qualifying widower

Below \$123,000 or less	Entitled to full deduction
\$123,001 - \$142,999.99	Entitled to prorated deduction amount - use special formula**
\$143,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$123,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married -

joint return, but only you are covered or qualifying widower

Below \$123,000 or less	Fully Deductible
\$123,001-\$142,999.99	Entitled to prorated deduction amount - use special formula**
\$143,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$123,000/\$20,000. This will give you a ratio that determines the amount you cannot deduct.*

Married - joint return, but only your spouse is covered

Below \$231,000 or less	Fully Deductible
\$231,001-\$240,999.99	Entitled to prorated deduction amount - use special formula**
\$241,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$231,000/\$10,000. This will give you a ratio that determines the amount you cannot deduct.*

Married Filing Separately

Below \$10,000	Entitled to prorated deduction amount - use special formula**
\$10,000 or more	No deduction permissible

**Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot deduct.* A special rule provides that a married individual is not considered Married for IRA purposes for any year in which the individual and the individual's spouse file separate returns and did not live together at any time during the tax year.

*Any amount determined under this formula which is not a multiple of \$10 shall be rounded to the next lowest \$10.

However, an IRA accountholder will be able to deduct a minimum of \$200 as long as his or her AGI is not above the phase-out range (base amount plus \$10,000).

Roth IRA Contribution Chart for 2023

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below \$138,000	Entitled to full contribution amount
\$138,000-\$152,999.99	Entitled to prorated contribution amount - use special formula*
\$153,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$138,000/\$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Jointly

Below \$218,000	Entitled to full contribution amount.
\$218,000-\$227,999.99	Entitled to prorated contribution amount - use special formula*
\$228,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$218,000/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Separate Returns

\$0-\$9,999.99	Entitled to prorated contribution amount - use special formula*
\$10,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00. If your filing status is Married Filing Separately, you are eligible to make a Roth IRA contribution as if your filing status was Single, as long as you did not live with your spouse at any time during the year.

Roth IRA Contribution Chart for 2024

Amount of AGI and Filing Status

Single, Head of Household or Qualifying Widow(er)

Below \$146,000	Entitled to full contribution amount
\$146,000-\$160,999.99	Entitled to prorated contribution amount - use special formula*
\$161,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$146,000/\$15,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Jointly

Below \$231,000	Entitled to full contribution amount.
\$231,000-\$240,999.99	Entitled to prorated contribution amount - use special formula*
\$241,000 or more	No contribution permissible.

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$231,000/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00.

Married Filing Separate Returns

\$0-\$9,999.99	Entitled to prorated contribution amount - use special formula*
\$10,000 or more	No contribution permissible

*Explanation of special formula. Multiply the permissible contribution by the following ratio: amount of adjusted gross income in excess of \$0/\$10,000. This will give you a ratio that determines the amount you cannot contribute. Round to the lowest \$10.00. If your filing status is Married Filing Separately, you are eligible to make a Roth IRA contribution as if your filing status was Single, as long as you did not live with your spouse at any time during the year.

SEP and SIMPLE Limits

	2021	2022	2023	2024
Maximum SEP Contribution	\$58,000	\$61,000	\$66,000	\$68,000
Maximum SIMPLE Deferral (Under age 50)	\$13,500	\$14,000	\$15,500	\$16,000
Maximum SIMPLE Deferral (Age 50 & older)	\$16,500	\$17,000	\$19,000	\$19,500

Saver's Credit Limits for 2023

The applicable percentage for 2023 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
\$0	\$43,500	50%
\$43,500	\$47,500	20%
\$47,500	\$72,500	10%
\$72,500	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
\$0	\$32,625	50%
\$32,625	\$35,625	20%
\$35,625	\$54,375	10%
\$54,375	N/A	0%

Other Filers Single, Qualifying Widow(er) & Married, Filing Separately

AGI Over	AGI Not Over	Percentage
\$0	\$21,750	50%
\$21,750	\$23,750	20%
\$23,750	\$36,250	10%
\$36,250	N/A	0%

Saver's Credit Limits for 2024

The applicable percentage for 2024 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
\$0	\$46,000	50%
\$46,000	\$50,000	20%
\$50,000	\$77,000	10%
\$77,000	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
\$0	\$34,600	50%
\$34,600	\$37,750	20%
\$37,750	\$57,650	10%
\$57,650	N/A	0%

Other Filers Single, Qualifying Widow(er) & Married, Filing Separately

AGI Over	AGI Not Over	Percentage
\$0	\$23,000	50%
\$23,000	\$25,000	20%
\$25,000	\$38,500	10%
\$38,500	N/A	0%

The Income Tax Rules for an HSA Beneficiary Are Different Than the Income Tax Rules Applying to an IRA Beneficiary And

The Custodian's Duties for IRS Reporting For an HSA Beneficiary Are Different Than the Custodian's Duties For IRS Reporting For An IRA Beneficiary Income Tax Rules

When the HSA owner dies the HSA beneficiary has income in that year to extent of the amount he or she inherited unless some of those funds are used to pay the last medical expenses of the deceased HSA owner. A beneficiary is unable on a tax preferred basis to use these inherited funds to pay his or her own medical expenses. For example, Maria Doe inherits her father's (John Doe) HSA. He died on June 15, 2023 and his HSA had a balance of \$30,000. Maria must include in her 2023 income the \$30,000 unless some of these funds are used to pay his last medical expenses. Note Maria has income in the year her father dies and not when she takes the distribution.

With respect to any earnings earned after the HSA owner dies, the law is that such earnings are to be included in income for the year these earnings are withdrawn.

When an IRA accountholder dies, an IRA beneficiary only has income if she or he takes a distribution from the inherited IRA. If there is no distribution, there is no taxable income. The general tax rule is that an IRA distribution to a beneficiary must be included in the beneficiary's income and taxes paid. The IRA custodian reports the distribution to the beneficiary and to the IRS. The pro-rate taxation rule applies if the IRA has any non-taxable amounts because it has some basis. For tax distribution purposes a beneficiary must aggregate all of his or her like-kind IRAs - traditional IRAs, SEP-IRAs and SIMPLE-IRAs. Like-kind IRAs for a beneficiary means - such IRAs inherited from the same IRA accountholder. For example, if Jane inherits three IRAs from her mother, those three inherited IRAs are to be aggregated and if Maria inherits two IRAs from her father, those two inherited IRAs are to be aggregated, but Maria does not aggregate all five inherited IRAs. Funds in an inherited IRA are not aggregated with the beneficiary's own personal IRAs.

With respect to any earnings earned after the IRA owner dies, the law is that for taxation purposes there is

no distinguishing such earnings from the principal inherited and are to be included in income when withdrawn.

IRS Reporting for HSAs and IRAs

The IRS instructions with respect to HSAs is - an HSA custodian is to prepare the Form 1099-SA for the year the HSA custodian learns about the death of the HSA owner. For example, if the HSA custodian learns of the HSA owner's death on December 29, 2022, then the 2022 Form 1099-SA is to be prepared and if the HSA custodian learns of the HSA owner's death on January 2, 2023, then the 2023 Form 1099-SA is to be prepared. So, preparation of the Form 1099-SA is not based on when the HSA beneficiary takes a distribution, but it is based on when the HSA custodian learns that the HSA owner died.

Often the HSA custodian learns of the death of the HSA owner in the same year that the HSA owner died, but this will not always be the case.

The IRS instructions with respect to IRAs is - an IRA custodian is to prepare the Form 1099-R for any year a beneficiary receives a distribution or withdraws more than \$10 from the inherited IRA.

IRS Instructions For Completing Form 1099-SA

Death of accountholder

Archer MSAs and MA MSAs or HSAs. When the accountholder dies and the designated beneficiary is the surviving spouse, the following apply.

- The spouse becomes the accountholder of the Archer MSA.
- An MA MSA is treated as an Archer MSA of the spouse for distribution purposes.
- Distributions from these accounts are subject to the rules that apply to Archer MSAs.

If the designated beneficiary is not the spouse or there is no named beneficiary, the account ceases to be an MSA as of the date of death and the fair market value (FMV) on that date is reported.

If there is more than one recipient, the FMV should be allocated among them, as appropriate.

If the beneficiary is the estate, enter the estate's name and TIN in place of the recipient's on the form. Distribution in year of death. If you learn of the accountholder's

Income Tax Rules,
Continued from page 4

death and make a distribution to the beneficiary in the year of death, issue a Form 1099-SA and enter in:

- Box 1, the gross distribution;
- Box 3, code 4 (see Box 3. Distribution Code, later); and
- Box 4, the FMV of the account on the date of death.

Distribution after year of death. If you learn of the death of the accountholder and make a distribution after the year of death, issue a Form 1099-SA in the year you learned of the death of the accountholder. Enter in:

- Box 1, the gross distribution;
- Box 3, one of the following codes (see Box 3. Distribution Code, later):
 - 1—If the beneficiary is the spouse,
 - 4—If the beneficiary is the estate, or
 - 6—If the beneficiary is not the spouse or estate;
- Box 4, the FMV of the account on the date of death, reduced by any payments from the HSA made for the

decedent's qualified medical expenses, if paid within 1 year after death.

HSAs. When the accountholder dies, the following applies.

- If the designated beneficiary is the surviving spouse, the spouse becomes the accountholder of the HSA.
- If the designated beneficiary is not the surviving spouse, the account ceases to be an HSA on the date of the accountholder's death. The FMV of the account as of the date of death is required to be reported in box 4.

Completing Form 1099-SA

Box 1. Gross Distribution

Enter the total amount of the distribution. Include any earnings separately reported in box 2. You are not required to determine the taxable amount of a distribution.

Box 2. Earnings on Excess Contributions

Enter the total earnings distributed with any excess HSA or Archer MSA contributions returned by the due date of the accountholder's tax return. Include this amount in box 1. Report earnings on other distributions only in box 1.

Box 3. Distribution Code

Enter the appropriate distribution code from the following list that shows the type of distribution.

Box 4. FMV on Date of Death

Enter the FMV of the account on the date of death. See Death of accountholder, earlier.

Box 5. Checkbox

Check the box to indicate if this distribution was from an HSA, Archer MSA, or MA MSA.

9494 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1517		Distributions From an HSA, Archer MSA, or Medicare Advantage MSA Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.
TRUSTEE'S/PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		Form 1099-SA (Rev. November 2019) For calendar year 20		
PAYER'S TIN	RECIPIENT'S TIN	1 Gross distribution \$	2 Earnings on excess cont. \$	
RECIPIENT'S name		3 Distribution code	4 FMV on date of death \$	
Street address (including apt. no.)		5 HSA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		Archer MSA <input type="checkbox"/>		
Account number (see instructions)		MA MSA <input type="checkbox"/>		
Form 1099-SA (Rev. 11-2019)		Cat. No. 38471D		www.irs.gov/Form1099SA

Distribution Codes for Distributions From HSAs, Archer MSAs, and Medicare Advantage MSAs

1—Normal distributions	Use this code for normal distributions to the account holder and any direct payments to a medical service provider. Use this code if no other code applies. Also, see Distribution after year of death , earlier.
2—Excess contributions	Use this code for distributions of excess HSA or Archer MSA contributions to the account holder.
3—Disability	Use this code if you made distributions after the account holder was disabled (see section 72(m)(7)).
4—Death distribution other than code 6	Use this code for payments to a decedent's estate in the year of death. Also use this code for payments to an estate after the year of death. Do not use with code 6. See Death of Account Holder , earlier.
5—Prohibited transaction	See sections 220(e)(2) and 223(e)(2).
6—Death distribution after year of death to a nonspouse beneficiary	Use this code for payments to a decedent's nonspouse beneficiary, other than an estate, after the year of death. Do not use with code 4.

SIMPLE-IRA Summary Description — IRA Custodian Must Furnish by October 2023 for 2024

What are a financial institution's duties if it is the custodian or trustee of SIMPLE-IRA funds? After a SIMPLE-IRA has been established at an institution, it is the institution's duty to provide a Summary Description each year within a reasonable period of time before the employees' 60-day election period. CWF believes that providing the Summary Description 30 days prior to the election period would be considered "reasonable." The actual IRS wording is that the Summary Description must be provided "early enough so that the employer can meet its notice obligation." You will want to furnish the Summary Description to the employer in September or the first week of October. The employer is required to furnish the summary description before the employees' 60-day election period.

IRS Notice 98-4 provides the rules and procedures for SIMPLEs. This notice is reproduced in CWF's 2023 IRA Procedures Manual. If you do not have this resource manual, you should consider ordering it.

The Summary Description to be furnished by the SIMPLE-IRA custodian/ trustee to the sponsoring employer depends upon what form the employer used to establish the SIMPLE-IRA plan.

An employer may complete either Form 5305-SIMPLE (where all employees' SIMPLE-IRAs are established at the same employer-designated financial institution) or Form 5304-SIMPLE (where the employer allows the employees to establish the SIMPLE-IRA at the financial institution of his or her choice).

There will be one Summary Description if the employer has used the 5305-SIMPLE form. There will be another Summary Description if the employer has used the 5304-SIMPLE form. If you are a user of CWF forms, these forms will be Form 918-A and 918-B.

The general rule is that the SIMPLE-IRA custodian/ trustee is required to furnish the summary description to the employer. This Summary Description will only be partially completed. The employer will be required to complete it and then furnish it to his employees. The employer needs to indicate for the upcoming 2024 year

the rate of its matching contribution or that it will be making the non-elective contribution equal to 2% of compensation.

However, in the situation where the employer has completed the Form 5304-SIMPLE, the IRS understands that many times the SIMPLE-IRA custodian/trustee will have a minimal relationship with the employer. It may well be that only one employee of the employer establishes a SIMPLE-IRA with a financial institution. In this situation, the IRS allows the financial institution to comply with the Summary Description rules by using an alternative method

To comply with the alternative method, the SIMPLE-IRA custodian/trustee is to furnish the individual SIMPLE-IRA accountholder the following:

- ✓ A current 5304-SIMPLE — this could be filled out by the employer, or it could be the blank form
- ✓ Instructions for the 5304-SIMPLE
- ✓ Information for completing Article VI (Procedures for withdrawal) (You will need to provide a memo explaining these procedures.)
- ✓ The financial institution's name and address.

Obviously, if an institution provides the employee with a blank form, he/she will need to have the employer complete it, and, the employee may well need to remind the employer that it needs to provide the form to all eligible employees.

CWF has created a form which covers the "alternative" approach of the Summary Description being provided directly to an employee.

The penalty for not furnishing the Summary Description is \$50 per day.

Special Rule for a "transfer" SIMPLE-IRA

There is also what is termed a "transfer" SIMPLE-IRA. If your institution has accepted a transfer SIMPLE-IRA, and there have been no current employer contributions, then there is no duty to furnish the Summary Description.

However, if there is the expectation that future contributions will be made to this transfer SIMPLE-IRA, then the institution will have the duty to furnish the Summary Description.

SIMPLE-IRA,
Continued from page 6

Reminder of Additional Reporting Requirements The custodian/trustee must provide each SIMPLE-IRA accountholder with a statement by January 31, 2024, showing the account balance as of December 31, 2023, (this is the same as for the traditional IRA), and include the activity in the account during the calendar year (this is not required for a traditional IRA). There is a \$50 per day fine for failure to furnish this statement (with a traditional IRA, it would be a flat \$50 fee).

Ten Differences Between a Roth IRA and a Designated Roth Account

Category	Roth IRA	Designated Roth Account
Number of Investment Choices	Many as long as not prohibited	As offered by the plan
Participation	Anyone with earned income	Participant in a 401(k), 403(b) or 457 governmental plan that allows designated Roth contributions
Contribution limits	\$6,500 (for 2023) \$7,500 (if age 50 or older for 2020-2022). \$6,000 (for 2020-2022) \$7,000 (if age 50 or older for 2020-2022). Contributions are also limited by tax filing status and adjusted gross income. See Publication 590-A, Contributions to Individual Retirement Accounts (IRAs) , for a worksheet to figure your reduced contribution.	\$22,500 in 2023*, \$20,500 in 2022*, \$19,500 in 2020 and 2021*; \$30,000 in 2023*, \$27,000 in 2022*, \$26,000 in 2020 and 2021* (if age 50 or older). Limit is not impacted by filing status or adjusted gross income.
Recharacterization of rolled-over amounts	Not allowed for Roth conversions made after 12/31/2017	Not allowed
Required minimum distributions	Only after the original IRA owner's death	Yes
Tax on nonqualified distributions	Nonqualified distributions are distributed in this order: 1. Nontaxable contributions 2. Taxable earnings	Nonqualified distributions are pro-rated between Roth contributions (nontaxable) and earnings (taxable)
Withdrawals	Anytime. May be subject to tax if not a qualified distribution	Only when allowed by the terms of the plan. Subject to tax if not a qualified distribution
Loans	No	Yes, if plan allows
5-year holding period for qualified distributions	Begins January 1 of the year a contribution is made to any Roth IRA	Separate for each Roth account and begins on January 1 of the year contributions made to that account. If one Roth account is rolled into another, the earlier start date applies.
Beneficiary	Anyone	Anyone but, if married, spouse must consent to nonspouse beneficiary

*See [Cost-of-Living Adjustments](#) for other years' limits.

IRS Chart Comparing a Roth IRA to a Designated Roth Account

The IRA has the following comparative chart illustrating the main differences between a Roth IRA and a 401(k) plan which authorizes an individual to make a designated Roth contribution. In general, this chart summarized well the differences. Set forth following this chart are CWF's observations comments. A person who is eligible to make both types of contributions should make both types of contributions. If a person's employer has not amended and restated its 401(k) to allow designated Roth contributions the employees

should be requesting that the 401(k) plan be revised to allow elective deferral contributions into a designated Roth account.

CWF's Observations and Comments About Roth IRAs and Designated Roth Accounts

1. An eligible individual may create and maintain both a Roth IRA and a Designated Roth account.

2. An individual may contribute to both a Roth IRA and a Designated Roth account. The amount contributed to the Roth IRA does not reduce the amount the individual may contribute to their designated Roth account or vice versa.

The individual with a Roth IRA is limited by how much he or she may contribute. For 2023 the maximum contribution for an individual less than age 50 is 100% of earned income or \$6,500. For 2023 the maximum contribution for

IRS Chart,
Continued from page 7

an individual age 50 or older is 100% of earned income or \$7,500.

The individual who is a participant of a 401(k) which allows designated Roth contributions is also limited by how much he or she may contribute by elective deferrals. For 2023 the maximum contribution for an individual less than age 50 is \$22,500. For 2023 the maximum contribution for an individual age 50 or older is \$30,000. The 401(k) plan may have its own limits.

These limits tend to change annually because of a cost of living adjustment.

3. The IRS discussion regarding the investment choices is correct. An individual wants to hit a home run with their Roth investments since most likely any increase in value (i.e. income via appreciation will be tax free. A Roth IRA accountholder must be certain their investment is not a prohibited transaction.

4. The IRS discussion regarding participation is not as comprehensive or as accurate as it should be for contributions made to a Roth IRA or to a Designated Roth IRA Account. An individual can make an annual contribution to a Roth IRA as long as he or she meets two requirements. First, the individual must have earned income. The IRS mentions this requirement. The IRS fails to discuss the second requirement. The individual's MAGI must be below a certain amount which depends on filing status.

For 2023, an individual whose filing status is single, head of household or qualifying widower is ineligible to make a Roth IRA contribution when his or her MAGI is \$155,000 or greater.

For 2023, an individual whose filing status is married filing jointly is ineligible to make a Roth IRA contribution when their MAGI is \$228,000 or greater.

For 2023, an individual whose filing status is married filing separately is ineligible to make a Roth IRA contribution when his or her MAGI is \$10,000 or greater.

There is no such MAGI requirement applying to an eligible participant of a 401(k) plan.

An individual can make elective deferral contributions to a Designated Roth Account as long as he or she is an eligible participant of a 401(k) plan which allows designated Roth contributions. The individual is allowed to put 100% of their deferral amount into a designated Roth Account.

5. An individual can make a rollover contribution or a direct rollover contribution to a Roth IRA regardless of income. The individual must have funds in a Roth IRA or be eligible to do a special rollover into a Roth IRA.

Roth IRA funds must be rolled into another Roth IRA. Such funds are ineligible to be rolled over into a 401(k) plan even if such plan allows designated Roth accounts.

Designated Roth IRA funds are eligible to be directly rolled over into a Roth IRA. If the individual has not ever made another Roth IRA contribution, the 5 year period begins on January 1 of the current year. The 5 year period which applied to the designated Roth account is no longer considered.

Non-Roth funds in a 401(k) plan are eligible to be rolled over or directly rolled over into a Roth IRA. Once done, this transaction is irrevocable because it is a quasi-conversion since the individual must include the taxable amount of the distribution in income.

6. An individual with a Roth IRA has no RMD requirement. This is not the case for a 401(k) participant who has a designated Roth account. He or she must include the designated account balance in the total balance subject to the RMD rules. The 401(k) plan document will discuss the ordering of distributions.

7. It is impossible to borrow from one's IRA, including Roth IRA. If the 401(k) plan authorizes loans, an individual's designated Roth account will be considered in determining how much the individual is eligible to borrow. Spousal consent is required, if applicable.

8. Upon the death of the Roth IRA accountholder or the death of a 401(k) participant with a designated Roth account a beneficiary will be required to comply with the RMD rules applying to a beneficiary. A beneficiary of a 401(k) participant is eligible to make a direct rollover contribution to an inherited IRA or an inherited Roth IRA.

9. A 401(k) plan provides better protection from creditors (but not the IRS) than does a Roth IRA unless you live in a state which protects a ROTH IRA. Many states do not offer much protection to IRA accounts. Some states do.

10. An individual who has a Roth IRA or a designated Roth account will have to include such an account or accounts in their estate for federal estate tax purposes.