

# The IRA Authority !

IRA & Employer Plan Rules, News & Tips in Plain Language

## Your IRA Calendar

May 31 is the deadline by which IRA custodians are required to issue Form 5498 to IRA owners, unless the custodian files for an extension. The following are some of the transactions that are reported on Form 5498 for 2013:-

- **Box 1:** Traditional IRA participant contributions for 2013. This includes contributions made January 1, 2013 to December 31, 2013 for 2013, and January 1, 2014 to April 15, 2014 for 2013.
- **Box 2:** Rollover contributions made to the IRA during 2013
- **Box 3:** Roth IRA conversions to Roth IRAs during 2013
- **Box 4:** Recharacterized contributions and recharacterized conversions between Roth IRAs and non-Roth IRAs during 2013
- **Box 8:** SEP IRA contributions received by the IRA custodian during 2013, regardless of the year for which the employer makes the contribution.
- **Box 9:** SIMPLE IRA contributions received by the IRA custodian during 2013, regardless of the year for which the employer makes the contribution
- **Box 10:** Roth IRA participant contributions for 2013. This includes contributions made January 1, 2013 to December 31, 2013 for 2013, and January 1, 2014 to April 15, 2014 for 2013.

If none of these transactions were made to an IRA, and the IRA custodian already reported the December 31 fair market value to the IRA owner by January 31, Form 5498 is not required to be issued for the IRA for the year.

### RMD Indication

The IRA Custodian is also required to indicate if the IRA owner is required to take an RMD for the 2014 calendar year. If an RMD is required, Box 11 should be checked.

A complete list of the information reported in each box of Form 5498 is available on Page 21 of the 2013 version of the IRS instructions, which is available here <http://www.irs.gov/pub/irs-prior/i1099r--2013.pdf>.

### Clients' Responsibility

Your clients should review the form to determine if their transactions were posted correctly. Common mistakes include:

- IRA contributions made January 1 to April 15 not being applied to the correct tax year
- Transfers posted as rollover contributions and vice versa. Transfers are not reportable, while rollovers contributions must be reported on Form 5498. However, if an error occurs, it could result



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in a transfer being reported as a rollover and/or rollovers not being reported,

- Requested transactions not processed. Unfortunately, paperwork sometimes do fall through the cracks, resulting in clients' requests not being processed. In some cases, the paperwork might not have been processed because it was not completed properly.

Form 5498 is not required to be filed with the IRA owner's tax return. If the information reported on the Form 5498 is accurate, the IRA owner simply needs to keep it with the copy of his or her tax return. If the information is incorrect, the IRA custodian should be contacted immediately to determine if corrections can be made 🍏.

## Tax Court Opinion Changes IRA-to-IRA Rollover Limitation

Contradicting the IRS' previous explanation of the rules for rollovers between two IRAs, a recent Tax Court opinion, [Bobrow v. Commissioner, T.C. Memo 2014-21](#), applies the one-per-year rollover rule on an aggregate basis for all of an individual's IRAs, instead of on a per IRA basis.

This is a game changer for IRA practitioners and other interested parties who follow these rules.

### Background

Generally, distributions from IRAs are treated as ordinary income, and any pre-tax amounts are subject to ordinary income tax. An additional 10% tax (early distribution penalty) applies if the IRA owner is under age 59½ when the distribution occurs.

The taxes do not apply to any rollover-eligible amount that is rolled over within 60 days of the IRA owner receiving the distribution. All or part of an IRA distribution can be rolled over, if eligible. However, this rollover rule can be used only once during a 12-month period. This is commonly referred to as the one-rollover-per-year rule.

**Important note:** This 12-month (one-year) period is not determined on a calendar-year basis. Instead, it starts when the IRA owner receives the distribution.

### Defining the One-Rollover-Per-Year: Ruling Authority

Based on available guidance, IRA practitioners and other stakeholders have consistently applied the rule on a "per IRA" basis, allowing IRA owners to perform multiple rollovers during a 12-month period, if different IRAs are involved in the rollover.

The available guidance is as follows:

- *The IRS' Explanation in IRS Publication 590*  
According to IRS Publication 590 "... if you make a tax-free rollover of any part of a distribution from a Traditional IRA, you cannot, within a one-year period, make a tax-free rollover of any later distribution from that same IRA. You also cannot make a tax-free rollover of any amount distributed, within the same

one-year period, from the IRA into which you made the tax-free rollover."

The IRS even included an example in Publication 590 to help ensure that interested parties clearly understand their explanation.

### Their Example

You have two Traditional IRAs, IRA-1 and IRA-2. You make a tax-free rollover of a distribution from IRA-1 into a new Traditional IRA (IRA-3). You cannot, within one year of the distribution from IRA-1, make a tax-free rollover of any distribution from either IRA-1 or IRA-3 into another Traditional IRA.

However, the rollover from IRA-1 into IRA-3 does not prevent you from making a tax-free rollover from IRA-2 into any other Traditional IRA. This is because you have not, within the last year, rolled over, tax free, any distribution from IRA-2 or made a tax-free rollover into IRA-2.

- *Proposed Regulation § 1.408-4(b)(4)(ii)*

Proposed Regulation § 1.408-4(b)(4)(ii) provides that "... This rule applies

to each separate IRA maintained by an individual. Thus, if an individual maintains two IRAs, IRA-1 and IRA-2, and rolls over the assets of IRA-1 into IRA-3, he is not precluded ... from making a tax-free rollover from IRA-2 to IRA-3 or any other IRA within one year after the rollover from IRA-1 to IRA-3."

Regulations are issued by the IRS and the Treasury Department.

- *Internal Revenue Code § 408(d)(3)(B)*  
Internal Revenue Code § 408(d)(3)(B) provides that the rule regarding tax-free rollovers does not apply to any distribution received by an individual from an IRA, if at any time during the one-year period ending on the day of such receipt, the IRA owner received any other amount from an IRA that was not includible in his gross income because the amount was properly rolled over.

The Internal Revenue Code (IRC) is enacted by Congress.

T.C. Memo 2014-21 emphasizes the use of the word 'an' in the IRC, and uses it as the basis for applying the one-rollover-per-year rule on an IRA-aggregation basis, instead of a 'per IRA' basis. According to the Tax Court, *the one-rollover per-year limitation "applies to all of a taxpayer's retirement accounts. Regardless of how many IRAs he or she maintains, a taxpayer may make only one nontaxable rollover contribution within each one-year period"*.

As a result, if an individual rolls over a distribution from "an IRA", that individual is not eligible to roll over another distribution from "an IRA" (any other IRA) - during the next 12-month period.

*This highlights an important rule: If conflicting information is provided in multiple sources, one must consider the hierarchy and reliability of such sources. In this case, Publication 590 is not authoritative and is not considered official guidance.*

*The Tax Code is the most authoritative, and supersedes any other guidance in the event of conflict.*

## The Game Changer: Bobrow v. Commissioner, T.C. Memo 2014-21

Alvan L. Bobrow (Alvan) rolled over two distributions from his IRAs and took the position that the rollovers were valid because they were done in a timely manner, and involved different IRAs. The IRS disagreed and determined that only one of the two rollovers was valid.

T.C. Memo 2014-21 also addressed the issue of timing as it relates to the 60-day deadline for rollovers.

### The Case

Alvan L. Bobrow (Alvan) and Elisa S. Bobrow (Elisa), maintained several accounts at Fidelity Investments during 2008, which included the following:

- Alvan's Traditional IRA (IRA #1)
- Alvan's 'rollover' Traditional IRA (IRA #2), and
- Elisa's Traditional IRA

They also maintained a joint checking account and an

individual checking account for Alvan.

### Issue 1: The One-Per-Year-Rollover Issue

During 2008, Alvan took distributions of \$65,064 from each of his IRAs and rolled over the amounts (to the same IRAs from which the distributions were made). These rollovers were completed within the 60-day period.

The following is a list of the distributions and rollovers in date order:

- Apr. 14, 2008 - two distributions for a total of \$65,064 from Traditional IRA #1.
- June 6, 2008 - a distribution in the amount of \$65,064 from Traditional rollover IRA #2.
- June 10, 2008 - a rollover contribution in the amount of \$65,064 from Alvan's individual checking account to his Traditional IRA #1.
- Aug. 4, 2008 - a rollover contribution in the amount of \$65,064 from their joint account to his rollover Traditional IRA #2.

The Bobrow's claimed that the rollovers are valid because they were completed within 60 days and did not violate the one-per-year rollover rule.

The IRS disagreed, and argued that the rollover completed on August 4 was invalid because Alvan had already used up his *one-time rollover allowance* when he completed the rollover on June 8. As a result, the distribution processed on April 14, 2008 is invalid and therefore taxable.

The Tax Court agreed with the IRS that only one of the distributions is eligible for rollover, during the 12-month period.

### Issue 2: The 60-Day Deadline and Proof of Intent to Rollover

Elisa also took a distribution \$65,064 from her IRA. \$40,000 was rolled over after the 60-day deadline.

The Bobrows claimed that while the rollover was not processed within the 60-day deadline, it should be treated as valid because the required instructions were submitted to Fidelity before the deadline.

They also claimed that they provided instructions to rollover the entire \$65,064.

Submitting instructions to an IRA Custodian does not guarantee processing. IRA owners must follow up to confirm receipt, and to ensure that the requested transactions are not only processed at the right time- but processed accurately.

However, according to T.C. Memo 2014-21, the Bobrows did not provide any evidence that (1) they requested a rollover of \$65,064 from Fidelity before September 30, 2008 (the 60-day deadline), or (2) the delayed underpayment of \$40,000 was due to Fidelity's error. As a result, the Tax Court ruled that Elisa's distribution is not eligible for an extension of the 60-day deadline and the rollover is invalid, which makes it taxable.

This reinforces an important lesson about following up to ensure that transactions are processed. Submitting instructions to an IRA Custodian does not guarantee processing. IRA owners must follow up to confirm receipt, and to ensure that the requested transactions are not only processed at the right time- but processed accurately.

The following is a summary of each party's position, the discrepancies and the ruling.

Transaction	Distributions	Repayment according to the Bobrows	The IRS' Argument
Transaction 1	Apr. 14, 2008, two distributions from Alvan's Traditional IRA (IRA #1). Combined total \$65,064. Treated as one distribution, because they were done on the same day	June 10, 2008, valid rollover of \$65,064 from Alvan's individual (non-IRA) account to Alvan's Traditional IRA (IRA #1).	No rollover, or invalid Aug. 4, 2008 rollover from the Bobrows' joint account to Alvan's rollover account (IRA #2).  Rollover on Aug. 4, 2008 is invalid because it was made within one year of the June 6, 2008 distribution, which was already rolled over on June 10, 2008 (see below).
Transaction 2	June 6, 2008, distribution from Alvan's rollover IRA (IRA #2). Amount \$65,064	Aug. 4, 2008, valid rollover of \$65,064 from the Bobrows' joint account to Alvan's rollover IRA (IRA#2).	June 10, 2008, valid rollover from Alvan's individual account to Alvan's Traditional IRA (IRA #1).  Rollover is valid and therefore nontaxable.
Transaction 3	July 31, 2008, distribution from Elisa's Traditional IRA. Amount \$65,064	Pre-Sep. 30, 2008, valid rollover from the Bobrows' joint account to Elisa's Traditional IRA. Amount \$65,064.	Sep. 30, 2008, invalid partial rollover from the Bobrows' joint account to Elisa's Traditional IRA.  Only partial rollover of \$40,000 was made—no evidence presented to show rollover of \$65,064 pre-Sep. 30, 2008 or that the delayed <i>under-repayment</i> was a result of IRA Custodian's error.

### The 10% Early Distribution Penalty and Excise Tax

Alvan was over the age of 59½ at the time his distribution occurred.

As such, the 10% early distribution penalty does not apply to his distributions. Elisa, on the other hand, was under age 59½ when the distribution occurred from her IRA, which means her distribution is subject to the 10% early distribution penalty, unless she qualifies for an exception.

### Increase in Income Tax and Accuracy-Related Penalty

By treating the distributions as taxable, the IRS determined that the Bobrows owed additional income tax of \$51,298 for 2008. They were also assessed an accuracy-related penalty of \$10,260.



## IRS Offers Transitional Relief for Implementing Rule

The IRS received comments about the Tax Court's Opinion, some of which are from leading IRA industry practitioners. In response, they issued [Announcement 2014-15- Application of One-Per-Year Limit on IRA Rollovers](#), in which they address the application of the one-rollover-per-year rule and provide transition relief for IRA owners.

According to the IRS, they anticipate that they "...will follow the interpretation of § 408(d)(3)(B) in *Bobrow and*, accordingly, intends to withdraw the proposed regulation and revise Publication 590 to the extent needed to follow that interpretation."

*They also state that "the Treasury Department and the IRS expect to issue a proposed regulation ... that would provide that the IRA rollover limitation applies on an aggregate basis".*

In order to allow Custodians and Trustees time to make any required operational changes, as well as changes to their IRA disclosure documents, the IRS will not apply this interpretation for any IRA distribution that occurs before January 1, 2015.

Additionally, any new regulations will not be effective before January 1, 2015.

## What is Still Unclear: Roth and Traditional IRA Aggregation

Generally, Traditional IRA and Roth IRAs are not aggregated when applying IRA rules. However, it is unclear whether a rollover from one Traditional IRA to another would prevent the IRA owner from rolling amounts from one Roth IRA to another during the 12-month period.

It is my opinion that Traditional and Roth IRAs would not be aggregated for this purpose, because all other IRA aggregation rules are consistently applied separately to both types of IRAs. Hopefully, the IRS

will address this question, so that we can be sure.

## Transactions That Are Not Affected

The one-per-year rollover rule applies to rollovers from one IRA to another. It does not apply to the following transactions:

- Non-reportable trustee-to-trustee transfers between two IRAs,
- Roth IRA conversions,
- Recharacterizations,
- Rollovers from qualified plans, 403(b) plans and governmental 457(b) plans to IRAs,
- Rollovers from IRAs to qualified plans, 403(b) plans and governmental 457(b) plans, and
- Rollovers between to qualified plans, 403(b) plans and governmental 457(b) plans.

## More Penalties May Apply

Generally, ineligible rollover amounts must be corrected by removing the amounts as return-of-excess contributions.

The deadline for completing such corrections is the IRA owner's tax filing due date, plus extensions- which would be October 15, 2009 in this case for the Bobrows' invalid 2008 rollovers.

If the amounts are not corrected by this deadline, the IRA owner will owe the IRS a 6% excise tax for every year the amount remains in the IRA.

This means that The Bobrows could owe the IRS over \$31,000 in excise tax. In addition, the IRA Custodian is

required to report the distribution of these ineligible-rollover amounts as taxable.


## What You and Your Clients Should Do

While the IRS will not apply the Bobrow opinion to distributions that occur before January 1, 2015, it may be practical to notify clients immediately.

If a client wants to move funds from one IRA to another and will not be using the funds outside of the IRA, that client should use the transfer method and not the rollover method.

the IRS will not apply this interpretation for any IRA distribution that occurs before January 1, 2015. Additionally, any new regulations will not be effective before January 1, 2015.

The issues considered under the case, and the Tax Court's opinion are summarized as follows:

Issues presented to the Court	Bobrows' Assertions	IRS' Argument	Court's Opinion
<p>Whether the Bobrows received taxable income from the April 14, 2008 distribution from Alvan's Traditional IRA (IRA #1)</p> <p>Whether the Bobrows received taxable income from the June 10, 2008 distribution from Alvan's rollover IRA (IRA #2)</p>	<p>It is permissible to roll over the distributions from IRA #1 and IRA# 2 during the one-year period because the one-per-year rule applies on a per IRA basis.</p> <p>Therefore, none of the distributions are taxable.</p>	<p>The rollover exemption can only be used once during any 1-year period. Therefore, all subsequent distributions received during the year are taxable</p>	<ul style="list-style-type: none"> <li>• The Bobrow's did not cite any supporting caselaw or statutes that would support their position</li> <li>• The one-year limitation is not specific to any single IRA maintained by an individual, but instead applies to all IRAs maintained by a taxpayer.</li> <li>• The June 6, 2008 distribution of \$65,064 is fully includible in gross income for taxable year 2008.</li> </ul>
<p>Whether the Bobrows received taxable income from the July 31, 2008 distribution from Elisa's Traditional IRA</p>	<p>Did not dispute that 60-day deadline was not met, but assert that the delay was caused by IRA Custodian. Custodian was instructed to rollover entire amount of \$65,064</p>	<p>Argument 1: Amount was returned to Alvan's IRA, not Elisa's IRA.</p> <p>Argument 2: Rollover was not completed within 60 days.</p>	<ul style="list-style-type: none"> <li>• Argument 1 (Rejected): Money is money. The use of funds distributed from an IRA during the 60-day period is irrelevant to the determination of whether the distribution is a non-taxable rollover contribution.</li> <li>• Argument 2 (Sustained): Partial rollover did not meet 60-day deadline.</li> <li>• Waiver of 60-day deadline does not apply; Bobrows have not provided any supporting documentation as evidence that the delay in repayment was due to custodian's error. Distribution of \$65,064 is fully taxable.</li> </ul>
<p>Whether the Bobrows are liable for the 10% early distribution penalty for the distribution from Elisa's Traditional IRA.</p>		<p>Since Elisa's distribution was not properly rolled over, the amount is treated as an early distribution and therefore subject to the 10% early distribution penalty</p>	<ul style="list-style-type: none"> <li>• The 10% early distribution penalty (additional tax) applies, as Elisa has not shown that she qualifies for an exception.</li> </ul>
<p>Whether the Bobrows are liable for the section 6662(a) accuracy-related penalty by reason of any substantial understatement of income tax or negligence or disregard of rules or regulations.</p>		<p>Determined a deficiency in income tax for taxable year 2008 of \$51,298 and an accuracy-related penalty under section 6662 of \$10,260.</p>	<p>Sustained for multiple reasons</p> 

## Legislative, Regulatory and Other Updates

The IRS has issued Revenue Procedure 2014-8, in which they provide the new user fees for letter rulings, determination letters, etc. The following are the fees about which we often receive questions. These remain unchanged from the 2013 rates.

Category		Fee
Certain waivers of 60-day rollover period	Rollover less than \$50,000	\$500
	Rollover equal to or greater than \$50,000 and less than \$100,000	\$1,500
	Rollover equal to or greater than \$100,000	\$3,000
Letter ruling request on Roth IRA Recharacterization		\$4,000

When making a decision about whether to apply for a private letter ruling (PLR), any additional fees, such as attorney fees must be considered. This will help you and your client decide whether it is practical to seek the PLR. Consideration must also be given to the fact that there is no guarantee that the IRS will rule favorably for a request.

### IRS Issues Instructions for 2014 Form 5498 and 1099-R: New Requirements Included

The IRS has issued instructions to IRA Custodians and Trustees on how to complete Forms 5498 and 1099-R for 2014. Noteworthy changes apply to what is being referred to as “hard-to-value assets”, which are assets that do not having a readily available fair market value (FMV).

**For Form 1099-R, which is used to report distributions, a new code (Code K) has been created for Box 7.** Code K must be used to report distributions of IRA assets not having a readily available FMV. These assets may include: stocks, short or long-term obligations, ownership interests in limited liability companies (LLCs), partnerships, trusts, or similar entities, not readily tradable on an

established US or foreign securities market, real estate, or option contracts or similar products not offered for trade on an established US or foreign option exchange.

**For Form 5498, used to report contributions IRA Custodians/Trustees are required to enter the code for the type(s) of investments held in the IRA for which the FMV is reported in Box 15a.** A maximum of two codes can be entered in box 15b. If more than two codes apply, the issuer should enter code H. The following are the codes for Form 5498, which should be entered in Box 15b.

A — Stock or other ownership interest in a corporation that is not readily tradable on an established securities market.  
B — Short or long-term debt obligation that is not traded on an established securities market.

C — Ownership interest in a limited liability company or similar entity (unless the interest is traded on an established securities market).

D — Real estate.

E — Ownership interest in a partnership, trust, or similar entity (unless the interest is traded on an established securities market).

F — Option contract or similar product that is not offered for trade on an established option exchange.

G — Other asset that does not have a readily available FMV.


H — More than two types of assets (listed in A through G) are held in this IRA.

**Implementing use of these codes is optional for 2014, which gives stakeholders time to take steps needed to ensure that the FMV for these assets are available for tax reporting.**

If you have clients who hold these assets in their IRAs, remind them to work with the issuers to ensure that they FMV is provided to the IRA Custodian/Trustee in a timely fashion.

### The New MyRA

A new Roth IRA has been created under directive to the Treasury by Presidential Memorandum. This new IRA, labelled myRA (my Retirement Account), is a Roth IRA that would be backed by the U.S. Government. It is intended to provide a retirement saving alternative for eligible individuals who are not covered by an employer sponsored retirement plan.

We have included a copy of the fact sheet for myRA, issued by the Treasury Department. 



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### **myRA: A Simple, Safe, Affordable Retirement Savings Account**

The U.S. Department of the Treasury will develop the *myRA* (“My Retirement Account”) program, offering a new retirement savings account for individuals looking for a simple, safe, and affordable way to start saving. Savers will be able to open an account with as little as \$25 and contribute \$5 or more every payday. *MyRAs* balances will never go down, and there will be no fees. *MyRAs* will be initially offered through employers and will be backed by the full faith and credit of the United States.

#### **WHO WILL *myRAs* BE FOR?**

*MyRAs* will be Roth IRA accounts available to anyone who has an annual income of less than \$129,000 a year for individuals and \$191,000 for couples. *MyRA* will be for savers who either do not have access to an employer-sponsored retirement savings plan or are looking to supplement a current plan. They will be designed for savers who want an investment with a low opening amount.

#### **HOW WILL *myRAs* WORK?**

*MyRAs* will earn interest at the same variable rate as the Government Securities Investment Fund in the Thrift Savings Plan for federal employees. Savers may voluntarily roll over *myRAs* to private-sector retirement accounts at any time. Once a saver’s *myRA* reaches \$15,000, or after 30 years, the balance will be rolled over to a private-sector retirement account. Treasury will finalize rollover procedures when it launches the *myRA* program later this year.

#### **HOW WILL I SIGN UP FOR a *myRA*?**

Once the accounts are available, employees of participating employers will start by signing up for *myRA* online. Then they will set up an initial automatic payroll direct deposit with their employers for a minimum contribution of \$25. Employees will then elect to have a portion of their paychecks—as little as \$5—directly deposited into their *myRA* automatically every payday.

#### **Simple**

- Automatic payroll deduction.
- Portable – not tied to a single employer.
- Your contributions can be withdrawn tax free at anytime; earnings generally can be withdrawn tax free after age 59½.

#### **Safe**

- Account balances will never go down.
- The same variable interest rate as a low-risk account available to federal government employees.
- Individual information will be private and secure.
- Backed by the U.S. Department of the Treasury.

#### **Affordable**

- Only \$25 to open an account and contributions as low as \$5 every payday.
- No fees.
- Tax advantages of Roth IRA.

#### **WHEN WILL *myRAs* BE AVAILABLE?**

Treasury expects to begin rolling out *myRAs* in late 2014.

#### **HOW WILL EMPLOYERS PARTICIPATE?**

*MyRAs* will be free and easy for employers to offer. Employers may distribute *myRA* information but will not administer employee accounts or contribute to them. On payday, employers will send a direct deposit to each participating employee’s *myRA*.

For additional information, visit [www.treasurydirect.gov/readysavegrow](http://www.treasurydirect.gov/readysavegrow) or call (800) 553-2663.





## 1. What will Treasury's new *myRA* ("my Retirement Account") program be?

Treasury will develop the *myRA* program to offer a new retirement savings account to help people looking for a simple, safe, and affordable way to start saving—especially new savers. This account will hold a new "add on" Treasury security in an individual retirement account (an IRA) so savers will add to the value of a single security with each contribution they make, rather than buying additional securities.

The retirement savings account will be a Roth IRA account and have the same tax treatment and follow the rules of Roth IRAs. It will have no fees and can be opened for as little as \$25 through payroll direct deposit. The account balance will never go down in value and the security in the account, like U.S. savings bonds and other Treasury securities, will be backed by the full faith and credit of the United States.

## 2. When will people be able to sign up for *myRAs*?

Treasury expects to begin rolling out *myRAs* in late 2014.

## 3. How will people sign up for *myRAs*?

Initially, participating employers will offer *myRA* information to their employees. Once the accounts are available, employees will be able to enroll in the program with a minimum contribution of \$25. An employee can then elect to have a portion of each paycheck—as little as \$5—directly deposited into *myRA* automatically.

## 4. Who will be able to invest in *myRA*?

*myRA* will be a Roth IRA account with Roth IRA annual income eligibility limits—which means that people who have less than an annual income of \$129,000 for individuals and \$191,000 for couples can participate. These limits are subject to annual cost-of-living adjustments. Each individual saver, not the employer, will be responsible for complying with these income limits.

## 5. What benefits will *myRAs* offer?

As with all Treasury securities, the security held in *myRAs* will be backed by the United States. *myRA* account balances will never go down. Additional features will include:

- Only \$25 needed to open an account.
- Add to savings through regular payroll direct deposit—as little as \$5 every payday.
- No fees.
- *myRAs* will earn interest at the same variable rate as the Government Securities Investment Fund in the Thrift Savings Plan for federal employees.
- *myRAs* will not be limited to one employer—the account will be portable.
- *myRA* contributions can be withdrawn tax free at any time.
- Earnings will be tax free unless withdrawn before the saver is 59½.
- Account holders can build savings for 30 years or until their *myRA* reaches \$15,000—whichever comes first. After that, *myRA* balances will roll over to private-sector



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retirement accounts. Treasury will finalize rollover procedures when it launches *myRA* later this year.

### **6. Will all employers offer *myRAs*?**

Employers will not be required to offer *myRA* information to their employees. Treasury's research, however, indicates that the *myRA* program will fill a void for workers and employers alike, especially employees without an employer-sponsored plan and employees who do not qualify for their employers' existing retirement plans. The *myRA* program will offer two key advantages for employers: 1) a benefit to help them attract and retain employees—at little or no cost to the employer; and 2) an easy way to help their employees improve their financial stability by saving for retirement.

### **7. How will *myRAs* work for people who move to a new job or need to work more than one job?**

Contributions to *myRAs* will not be limited to one employer. A saver who changes jobs can continue to add savings to an existing *myRA* by setting up deposits through any employer that offers payroll direct deposit. A saver with multiple jobs will be able to use direct deposit from each paycheck to contribute to a single *myRA*.

### **8. Are *myRAs* meant to replace employer 401(k) plans?**

No. Treasury intends for the *myRA* program to help the millions of working Americans who don't have access to an employer-sponsored retirement plan. Employees who are eligible for an employer-sponsored plan will continue to have many good reasons to participate in their employer plans rather than the *myRA* program.

### **9. Where can people find more information?**

*myRA* information is available at [www.treasurydirect.gov/readysavegrow](http://www.treasurydirect.gov/readysavegrow) or (800) 553-2663.

## Question and Answer

**Q:** My client took a distribution from her IRA in 2013, but she rolled over the amount within 60-days, which means that the amount is not taxable. However, she did not receive a *Form 5498 IRA Contribution Statement* for 2013, and I am concerned that this absence of the Form may lead the IRS to determine that her distribution is taxable. When we called the IRA Custodian, they told us that the Form 5498 will be issued in 2015 for 2014. Is that correct?

**A:** It depends. She will not receive one for 2013, if the rollover contribution was made in 2014. This can be the case for distributions that are taken late in the year. In such cases, the 5498 would be issued in May of 2015. If that is the case, and the IRS amends her tax return to remove the rollover or requests further information, proof of the rollover in the form of a copy of her IRA statement showing the rollover is usually considered sufficient 🍎

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