

Qualified Plans [Retirement Accounts] Quick Reference

Abbreviations and Definitions

ESOPs	=	Employee Stock Ownership Plans
IRA	=	Individual Retirement Account
IRS	=	Department of the Treasury – Internal Revenue Service
QDRO	=	Qualified Domestic Relations Order
QCD	=	Qualified Charitable Distribution
Qualified Plans	=	SIMPLE Plans, 401(k), 403(b), SEP, Defined Contribution Plans, Defined Benefit Plans, IRAs [traditional and Roth] and 457 Plans
RMD	=	Required Minimum Distribution
SEP	=	Simple Employee Pension Plans
SIMPLE PLANS	=	SIMPLE IRA, SIMPLE 401(k), SIMPLE 403(b)

In alphabetical order

Early Distribution Penalty:

Taxable distributions from qualified plans are subject to a 10% additional tax if the distribution is received before the age of 59 and one half. This 10% penalty tax is in addition to regular income tax on the taxable distribution. For SIMPLE PLANS, the 10% penalty tax is increased to a 25% penalty tax during the first two years of participation in the plan.

The 10% penalty will not apply to following distributions:

- * Distributions properly rolled over into qualified plans [*recommendation* – roll over should be a trustee to trustee rollover]. If roll over is NOT trustee to trustee the distribution MUST be rolled over into a qualified plan within sixty days of receipt of distribution.
- * Distributions upon death or disability of participant
- * Distributions after separation from service [employer] that are part of a series of substantially equal periodic payments over life expectancy.
- * Distributions after separation from service [employer] provided separation from service occurred during or after the calendar year in which individual reached age 55 [**NOTE**: This exclusion does not apply to IRA and SEP]. Age 50 if distribution is from a government plan to retired police officer, firefighter or emergency medical service provider.
- * Distributions to nonparticipant under a QDRO
- * Certain distributions by ESOPs of dividends on employer securities
- * Distributions made on account of IRS levy against participant's account
- * Qualified recovery assistance distributions
- * Qualified reservist distributions
- * Effective July 26, 2012 Distributions from federal retirement plans that are made under a phased retirement plan

	<u>Year</u> <u>2020</u>	<u>Year</u> <u>2021</u>
IRA Deductions [Traditional and Roth]:		
Under Age 50 at end of the year	\$6,000	\$6,000
50 or Older at end of the year	\$7,000	\$7,000
Requirements: Earned Income and/or Qualified Income ... NO Age Limitations		

[Caution Individuals Over Age 70 and One

Half: Before Funding an IRA, Individuals Should Discuss With Their Tax Advisor How the Funding of an IRA Will Affect QCD.]

Funding May Occur After End of Current Tax Year but Before the Due of the Tax Return Including Extension [October 15th]. An IRA Can Now be Opened Before the Tax Return Due Date Including Extension and Be Deductible in the Current Tax Year.

Qualified Retirement Plans Maximum Contributions:

401(k) Plans and 403(b) Plans - Elective Deferral Plans	\$19,500	\$19,500
SIMPLE IRA - Elective Deferral Plan	\$13,500	\$13,500
Maximum Elective Deferral 457 Plans Exempt Employers	\$19,500	\$19,500
SEP Plans	\$57,000	\$58,000
Defined Contribution Plans	\$57,000	\$58,000
Catch-up Contribution Limits [age 50 and over]:		
401 (k) 403(b) SARSEP and 457 Plans	\$6,500	\$6,500
SIMPLE IRA	\$3,000	\$3,000

Required Minimum Distributions [RMD]

There are two ways to the requirements of the RMD. First, receive a fixed distribution [either, monthly or quarterly or semi-annually or annually], over the remainder of your life, based on life expectancy tables developed by the Department of the Treasury --- Internal Revenue Service [IRS]. Second, receive a distribution each year based a calculation developed by the IRS.

RMD must begin at age 72. Failure to receive the RMD will result in the IRS assessing a penalty tax equal to 50% of the RMD not received.

If you opt to receive your RMD via the **second option**, the calculation of the RMD is: the value of all your IRAs, 401(k) and 403(b) plans as of December 31st of the prior multiplied by percentage [based on your age at the end of the current calendar year]. The RMD can be received any time during the current calendar year and need not be in one lump sum amount as long as the total RMD is received prior to the end of current calendar year. [NOTE: see examples of computation ... below]

Comments regarding RMD:

- **Distributions have to be received from each type of plan [IRA, 401(k), 403(b)]. The RMD is calculated separately for each type of plan, ie: IRA, 401(k), 403(b). Comingling of RMD is not permissible.**
- **Total RMD for each type of plan can be received from one plan or account within the type of plan or from multiple plans or accounts within the type of plan. There is no requirement to receive a distribution from each separate plan or account within the type of plan.**

- Distributions can exceed the amount of the RMD.
- Mandatory RMD must commence during the year an individual becomes age 72.
- Withholding tax ... Federal and/or State withholding tax is at your option [check with your professional tax preparer/advisor]

The table for computing the RMD under the second option mentioned above follows:

<u>Age</u>	<u>%</u>	<u>Age</u>	<u>%</u>	<u>Age</u>	<u>%</u>
70	3.6496	85	6.7568	100	15.8730
71	3.7736	86	7.0922	101	16.9491
72	3.9063	87	7.4627	102	18.1818
73	4.0485	88	7.8740	103	19.2308
74	4.2017	89	8.3333	104	20.4082
75	4.3668	90	8.7719	105	22.2222
76	4.4545	91	9.2593	106	23.8095
77	4.7670	92	9.8040	107	25.6410
78	4.9261	93	10.4167	108	27.0270
79	5.1282	94	10.9890	109	29.4112
80	5.3476	95	11.6279	110	32.2581
81	5.5866	96	12.3457	111	34.4828
82	5.8480	97	13.1579	112	38.4615
83	6.1350	98	14.0845	113	41.6667
84	6.4516	99	14.9254	114	47.6190
		115 and Older	52.6316		

Example Computation of RMD [second option]:

<u>Example</u>	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>#4</u>
Age at End of Current Year	75	70	88	116
Total Value All Plans At End of Prior Year	\$155,237	\$325,804	\$185,915	\$25,237
Multiplier	4.3668%	3.6496%	7.8740%	52.6316%
RMD	\$6,779	\$11,890	\$14,639	\$13,283

Contributions to Certain Charitable Organizations [Qualified Charitable Distribution or QCD]:

An individual age 70 and on half or older may distribute up to \$100,000 tax free from his or her IRA to certain charitable organizations without including the distribution in gross income. This distribution must be made directly by the IRA trustee [financial institution] to a 50% organization that is not a supporting organization or a donor advised fund.

The qualified charitable distribution [QCD] is considered to be part of the individual's RMD. The qualified charitable distribution can NOT be claimed as a charitable deduction [an itemize deduction].

CAUTION: If an individual over seventy and one half makes a contribution to an IRA, the amount of the contributions limits the amount of allowable QCD. Examples:

<u>EXAMPLE #1</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>C/F Year</u>
IRA Contribution	\$5,000	\$-0-	\$5,000	
QCD	\$2,000	\$4,000	\$2,600	
Disallowed QCD to be Carried Forward [C/F]	\$3,000	\$-0-	\$2,400	Year 3
Disallowed QCD Carried Forward [LIFO]		\$3,000		
Allowable QCD	\$-0-	\$1,000	\$-0-	
<u>EXAMPLE #2</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>C/F Year</u>
IRA Contribution	\$4,000	\$5,000	\$5,000	
QCD	\$3,500	\$2,600	\$7,500	
Disallowed QCD to be Carried Forward [C/F]	\$500	\$2,400		
Disallowed QCD Carried Forward [LIFO]		\$500	\$400	Year 1
Allowable QCD	\$-0-	\$-0-	\$-0-	

<see disclaimer - legal>