

IRA Academy 2021: An Exclusive Preview





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Agenda

- 1 IRA Academy 2021 Overview
- 2 IRA Contribution
- 3 Transfers and Rollovers
- 4 Required Minimum Distributions
- 5 What's Next?
- 6 Q&A

Meet Your Presenter

John Paul Ruiz

Director of Professional Development at The Entrust Group



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Years of retirement education development



Educating investors and professionals on tax-preferred retirement accounts



CISP and QKA certified

IRA Academy 2021

- **What is it?**

- IRA Academy is a four-day professional training course on Individual Retirement Accounts (IRAs) and employer-sponsored plans
- IRA Academy is approved to provide continuing education (CE) credits: **27** for CISP, CFTA, CRSP, & CPA designations; **28** for the CFP designation

- **Who is it for?**

- ✓ Financial advisors
- ✓ Banking personnel
- ✓ Trust officers
- ✓ Investment issuers
- ✓ Brokerage firm representatives
- ✓ CFPs
- ✓ CPAs
- ✓ Anyone who wants to learn more about IRAs and advance their career

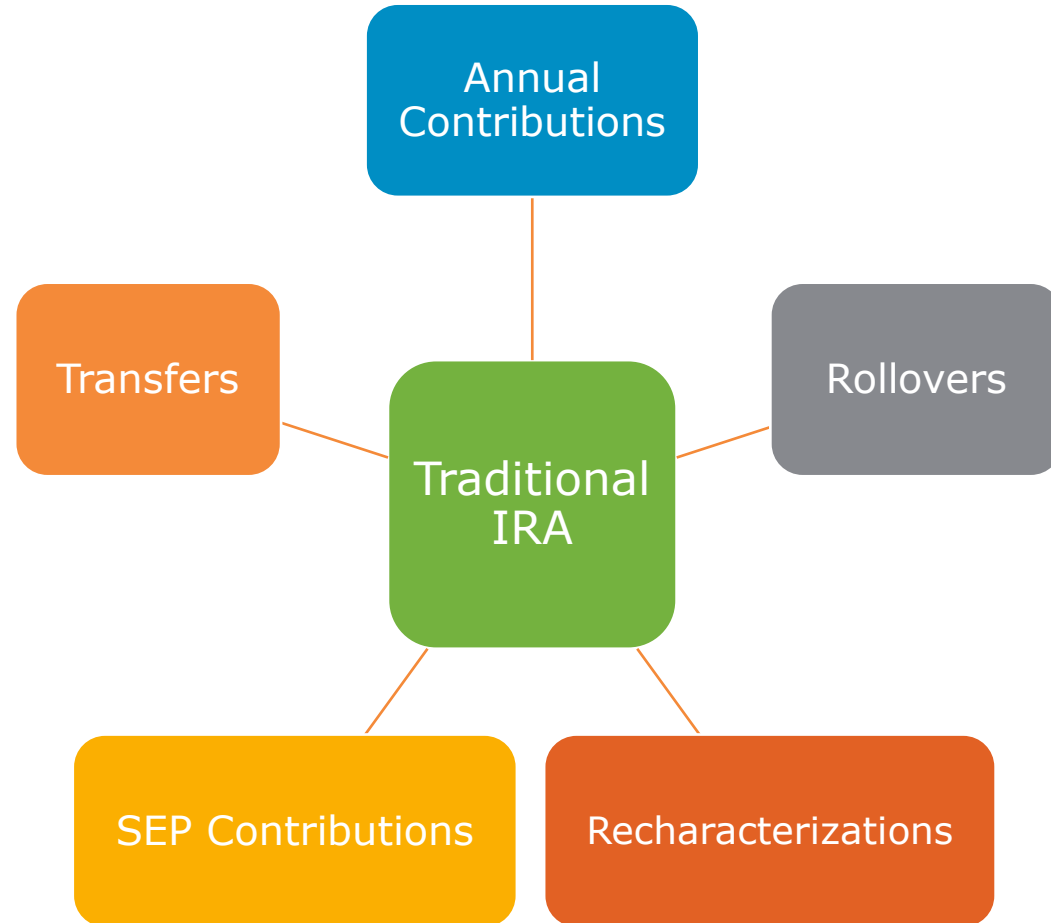
- **When & Where?**

- Online: **May 17-20**
- Live in Nashville, Tennessee: **September 6-9**

IRA Contributions



Traditional IRA Contribution Types



Traditional IRA: Who Can Contribute?

- Individual Requirements
 - Taxable compensation required
 - No age limit
 - No maximum income limit
 - Earned income
 - Income subject to social security tax
 - Safe-harbor W-2 Wage
- Spousal Contributions
 - Married
 - File joint tax return
 - Contributions are made to own IRA

Traditional IRA: Contribution Limitations

- Maximum annual contribution amount
 - Smaller of:
 - Taxable compensation
 - Contribution limit: \$6,000 (2020 & 2021)
 - Age 50 or older: additional \$1,000 for \$7,000 total (2020 & 2021)
 - Reduced by Roth IRA contributions
- Annual contributions must be in cash
 - Except for:
 - Rollovers
 - Transfers
 - Qualified reservist repayments
- Maximum amount only applies to annual contributions
 - Does not apply to other contributions (i.e. rollovers, transfers and recharacterizations)

Traditional IRA Deductibility Concept

- Individuals covered by an employer-sponsored plan are subject to the income limits for deduction
- Types of employer-sponsored plans (i.e. Qualified Plans like 401(k), SEP, SIMPLE, 403(b))
- Eligibility for deduction will be based on the modified adjusted gross income (MAGI) of the individual

Traditional IRA Deductions & Limits (2020)

1. Individuals covered by an employer-sponsored plan are subject to the income limits for deduction
2. Eligibility for deduction will be based on the modified adjusted gross income (MAGI) of the individual
3. Percentage of deductions available is determined using the phase-out range chart

Single or Head of Household	Married Filing a Joint Return	Married Filing a Separate Return
Not Eligible: \$75,000 or more	Not Eligible: \$124,000 or more	Not Eligible: \$10,000 or more
Partial Contribution: \$65,001–\$74,999	Partial Contribution: \$104,001–\$123,999	Partial Contribution: \$9,999 or less
Full Contribution: \$65,000 or less	Full Contribution: \$104,000 or less	N/A

Source: IRS publication 590

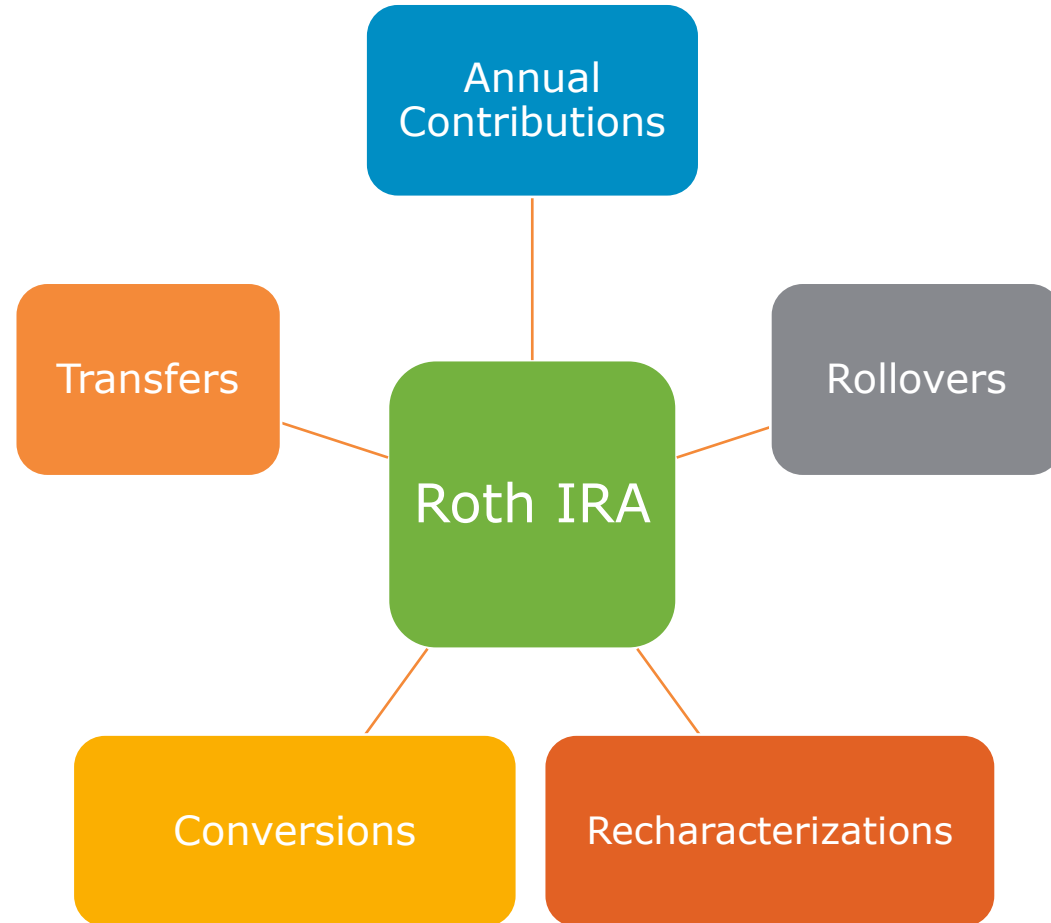
Taxable Compensation (earned income)

Generally, compensation is what you earn from working.

Considered Taxable Compensation	<u>Not</u> Considered Taxable Compensation
<ul style="list-style-type: none">• Wages, salaries, tips etc.• Professional fees• Commissions and bonuses• Self-employment income• Alimony & separate maintenance• Military differential pay• Nontaxable combat pay• Taxable non-tuition and stipend• IRC Code 131 Difficulty of Care Payments	<ul style="list-style-type: none">• Earnings & profits from property• Interest & dividend income• Pension or annuity income• Deferred compensation• Income from certain partnerships• Self-employment loss

Source: IRS publication 590

Roth IRA Contribution Types



Roth IRA: Who Can Contribute?

- Individual Requirement
 - No age limit
 - Taxable compensation required
 - Subject to income limit (MAGI)
- Spousal contributions
 - Married
 - File joint tax return

Roth IRA: Contribution Limits

- Maximum annual contribution amount
 - Smaller of:
 - Taxable compensation
 - Contribution limit: \$6,000 (2020 & 2021)
 - Age 50 or older: additional \$1,000, \$7,000 total (2020 & 2021)
 - Reduced by Traditional IRA contributions
- Annual contributions must be in cash
 - Except for:
 - Rollovers
 - Transfers
 - Qualified reservist repayments
- Maximum amount only applies to annual contributions and does not apply to other contributions (i.e. rollovers, transfers, conversions and recharacterizations)

Roth IRA Contribution Phase-Out Limits (2020)

Single or Head of Household	Married Filing a Joint Return	Married Filing a Separate Return
Not Eligible: \$139,000 or more	Not Eligible: \$206,000 or more	Not Eligible: \$10,000 or more
Partial Contribution: \$124,001–\$138,999	Partial Contribution: \$196,001–\$205,999	Partial Contribution: \$9,999 or less
Full Contribution: \$124,000 or less	Full Contribution: \$196,000 or less	N/A

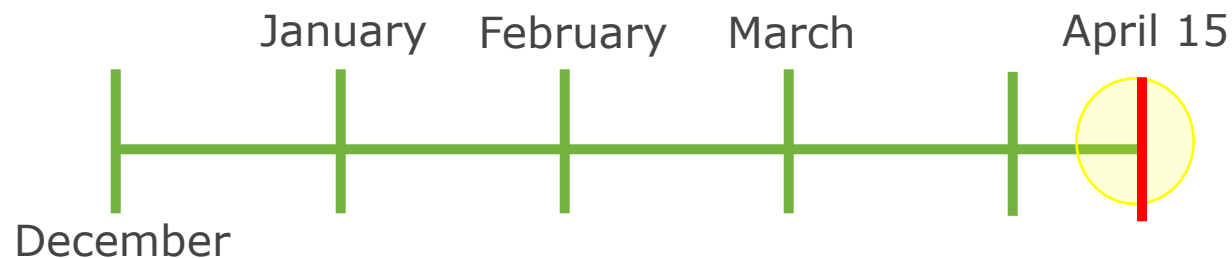
Source: IRS Publication 590

Saver's Tax Credit

- Incentive for individuals with lower AGI to make retirement plan contributions
- Non-refundable
- Maximum tax credit: \$1,000 per taxpayer
- IRS Form 8880 to report tax credit
- Individual must be:
 - Age 18 before end of the calendar year
 - Cannot be claimed as a dependent on another person's tax return
 - Cannot have been a full-time student during the calendar year
 - Adjusted gross income (AGI) not to exceed the maximum

Contribution Timing

- During tax year up until the payer's tax return due date not including extensions
- Prior year contribution
- Time frame between January 1 of the year following to April 15
- Taxpayer must designate the tax year of the contribution
- Trustee/custodian required to post for current year if not notified



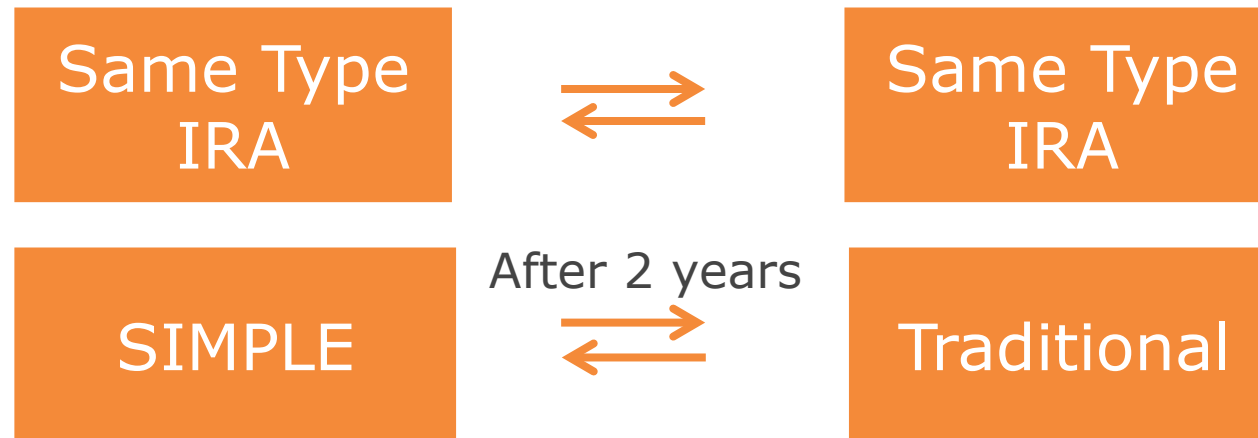
IRS Form 5498 2020

CORRECTED (if checked)

TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a)	OMB No. 1545-0747		IRA Contribution Information		
		\$	2020				
TRUSTEE'S or ISSUER'S TIN		2 Rollover contributions	Form 5498				
		\$					
PARTICIPANT'S TIN		3 Roth IRA conversion amount	4 Recharacterized contributions	Copy B For Participant			
		\$	\$				
PARTICIPANT'S name		5 FMV of account	6 Life insurance cost included in box 1			This information is being furnished to the IRS.	
		\$	\$				
Street address (including apt. no.)		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>					
		8 SEP contributions	9 SIMPLE contributions				
City or town, state or province, country, and ZIP or foreign postal code		\$	\$				
		10 Roth IRA contributions	11 If checked, required minimum distribution for 2021 <input type="checkbox"/>				
Account number (see instructions)		\$	12a RMD date	12b RMD amount			
		\$	\$				
		13a Postponed/late contrib.	13b Year	13c Code			
		\$					
		14a Repayments	14b Code				
		\$					
		15a FMV of certain specified assets	15b Code(s)				
		\$					

Form **5498** (keep for your records) www.irs.gov/Form5498 Department of the Treasury - Internal Revenue Service

Transfer



Non-taxable, non-reportable movement of retirement assets between same type of plans

*MyRA accounts can be transferred to a Roth IRA

Transfer Rules

- Same property must be transferred (*IRS Publication 590-A*)
- IRA holder must not have constructive receipt
- Remittance to receiving institution
 - Check made payable to financial institution FBO IRA holder
 - ACH must never be deposited into IRA holder's regular account
- No maximum number of transactions allowed
- Not subject to withholding
- No IRS Form 1099-R or 5498 reporting

IRA to IRA Rollovers



Mechanism available by law to redeposit an amount distributed to the IRA Holder to avoid taxation and to keep assets tax-deferred

IRA to IRA Rollover Rules

- Must be completed on or before **60 days** after the day the IRA holder receives the distribution (IRC 408(d))
- Same property must be rolled back
- Required Minimum Distributions are not eligible for rollover
- Inherited IRAs of non-spouse beneficiaries are not eligible for rollover

IRA to IRA Rollover Rules

Continued

- Any portion of a distribution not rolled over may be subject to tax and possible penalty, including withheld amounts
- IRA holder must make an irrevocable election to treat contribution as a rollover
- Only one distribution IRA may be rolled over in a 12-month period (modified by *Bobrow v. Commissioner*)

Self-Certification

- Revenue Procedure 2016-47 modified by Revenue Procedure 2020-46 (expanded reasons)
- Effective August 24, 2016
- Eligible Self-Certification if:
 - The IRS has not previously denied a request for waiver on the same scenario
 - Rollover must be completed by 30 days after one of the reasons below no longer is applicable
 - The IRA holder missed the 60-day period due to one or more of the reasons listed on Revenue Procedure 2016-47 apply
 - Rollover must be made 30 days after the reason no longer prohibits the taxpayer from rolling over
- Self-certification must be in writing and presented to the financial organization

Self-Certification

Continued

- A sample self-certification letter is provided in the revenue procedure
- Reasons allowed for self-certification under the revenue procedure
 - (a) an error was committed by the financial institution receiving the contribution or making the distribution to which the contribution relates;
 - (b) the distribution, having been made in the form of a check, was misplaced and never cashed;
 - (c) the distribution was deposited into and remained in an account that the taxpayer mistakenly thought was an eligible retirement plan;
 - (d) the taxpayer's principal residence was severely damaged;
 - (e) a member of the taxpayer's family died;
 - (f) the taxpayer or a member of the taxpayer's family was seriously ill;

Self-Certification


Continued

- (g) the taxpayer was incarcerated;
- (h) restrictions were imposed by a foreign country; (i) a postal error occurred;
- (j) the distribution was made on account of a levy under § 6331 and the proceeds of the levy have been returned to the taxpayer;
- (k) the party making the distribution to which the rollover relates delayed providing information that the receiving plan or IRA required to complete the rollover despite the taxpayer's reasonable efforts to obtain the information; or
- (l) the distribution was made to a state unclaimed property fund.

Reasons beyond the list may be presented to the IRS by applying for a private letter ruling

IRS Rollover Chart

ROLLOVER CHART

		Roll To							
		Roth IRA	Traditional IRA	SIMPLE IRA	SEP-IRA	Governmental 457(b)	Qualified Plan ¹ (pre-tax)	403(b) (pre-tax)	Designated Roth Account (401(k), 403(b) or 457(b))
Roll From	Both IRA	Yes ²	No	No	No	No	No	No	No
	Traditional IRA	Yes ²	Yes ²	Yes ^{2,7} , after two years	Yes ²	Yes ⁴	Yes	Yes	No
	SIMPLE IRA	Yes ² , after two years	Yes ² , after two years	Yes ²	Yes ² , after two years	Yes ⁴ , after two years	Yes, after two years	Yes, after two years	No
	SEP-IRA	Yes ²	Yes ²	Yes ^{2,7} , after two years	Yes ²	Yes ⁴	Yes	Yes	No
	Governmental 457(b)	Yes ²	Yes	Yes ⁷ , after two years	Yes	Yes	Yes	Yes	Yes ^{2,5}
	Qualified Plan¹ (pre-tax)	Yes ²	Yes	Yes ⁷ , after two years ⁸	Yes	Yes ⁴	Yes	Yes	Yes ^{2,5}
	403(b) (pre-tax)	Yes ²	Yes	Yes ⁷ , after two years	Yes	Yes ⁴	Yes	Yes	Yes ^{2,5}
	Designated Roth Account (401(k), 403(b) or 457(b))	Yes	No	No	No	No	No	No	Yes ⁸

¹Qualified plans include, for example, profit-sharing, 401(k), money purchase, and defined benefit plans.
²Only one rollover in any 12-month period.
³Must include in income.
⁴Must have separate accounts.
⁵Must be an in-plan rollover.
⁶Any nontaxable amounts distributed must be rolled over by direct trustee-to-trustee transfer.
⁷Applies to rollover contributions after December 18, 2015. For more information regarding retirement plans and rollovers, visit [Tax Information for Retirement Plans](#).

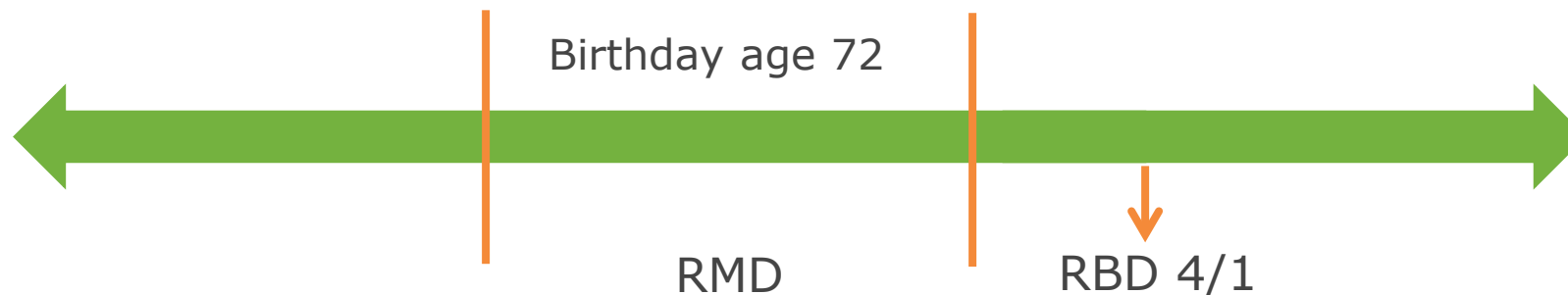
https://www.irs.gov/pub/irs-tege/rollover_chart.pdf

Required Minimum Distributions (RMDs)



RMDs

- An IRA holder is required to distribute a minimum amount from their Traditional IRA starting in the year they turn 72
- Distributions are typically due on December 31 of every year
- The first year's distribution may be postponed until April 1 of the year following the 72
- April 1 is called the Required Beginning Date (RBD)



RMD Penalty

- If an IRA holder fails to distribute their RMD, then the amount not distributed is subject to an excess accumulation penalty
- The penalty is 50% of the amount not distributed
- The RMD is not required to be distributed if the penalty is paid
- The penalty is paid using IRS Form 5329, which is filed with the IRA holder's tax return

Penalty Waiver

- RMD penalty may be waived if there was a reasonable cause
- Steps:
 1. Distribute the RMD
 2. File the IRS Form 5329
 3. Reduce the amount owed by the amount you are requesting to be waived and enter "RC"
 4. Attach a letter of explanation
 5. Wait for IRS review

Waiver of tax. The IRS can waive part or all of this tax if you can show that any shortfall in the amount of distributions was due to reasonable error and you are taking reasonable steps to remedy the shortfall. If you believe you qualify for this relief, attach a statement of explanation and file Form 5329 as follows.

1. Complete lines 50 and 51 as instructed.

2. Enter "RC" and the amount you want waived in parentheses on the dotted line next to line 52. Subtract this amount from the total shortfall you figured without regard to the waiver, and enter the result on line 52.

3. Complete line 53 as instructed. You must pay any tax due that is reported on line 53.

The IRS will review the information you provide and decide whether to grant your request for a waiver.

RMD Calculation

IRA Prior Year End Balance*

Life Expectancy**

* *Prior year end balance must be adjusted for outstanding rollovers and transfers*

** *Use the uniform lifetime table unless the sole beneficiary is a spouse that is greater than 10 years younger*

Life Expectancy Table

Uniform
Lifetime Table

All other beneficiaries
including non-individuals

OR

Joint Life
Expectancy Table

Sole spouse beneficiary
greater than
10 Years younger

Uniform Life Expectancy Table

(Uniform Lifetime)			
(For Use by:			
<ul style="list-style-type: none"> • Unmarried Owners, • Married Owners Whose Spouses Are Not More Than 10 Years Younger, and • Married Owners Whose Spouses Are Not the Sole Beneficiaries of Their IRAs) 			
Age	Distribution Period	Age	Distribution Period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115 and over	1.9

***Subject to change in 2022**

Joint Life Expectancy Table

Table II (continued)										
(Joint Life and Last Survivor Expectancy)										
(For Use by Owners Whose Spouses Are More Than 10 Years Younger and Are the Sole Beneficiaries of Their IRAs)										
Ages	60	61	62	63	64	65	66	67	68	69
60	30.9	30.4	30.0	29.6	29.2	28.8	28.5	28.2	27.9	27.6
61	30.4	29.9	29.5	29.0	28.6	28.3	27.9	27.6	27.3	27.0
62	30.0	29.5	29.0	28.5	28.1	27.7	27.3	27.0	26.7	26.4
63	29.6	29.0	28.5	28.1	27.6	27.2	26.8	26.4	26.1	25.7
64	29.2	28.6	28.1	27.6	27.1	26.7	26.3	25.9	25.5	25.2
65	28.8	28.3	27.7	27.2	26.7	26.2	25.8	25.4	25.0	24.6
66	28.5	27.9	27.3	26.8	26.3	25.8	25.3	24.9	24.5	24.1
67	28.2	27.6	27.0	26.4	25.9	25.4	24.9	24.4	24.0	23.6
68	27.9	27.3	26.7	26.1	25.5	25.0	24.5	24.0	23.5	23.1
69	27.6	27.0	26.4	25.7	25.2	24.6	24.1	23.6	23.1	22.6
70	27.4	26.7	26.1	25.4	24.8	24.3	23.7	23.2	22.7	22.2
71	27.2	26.5	25.8	25.2	24.5	23.9	23.4	22.8	22.3	21.8
72	27.0	26.3	25.6	24.9	24.3	23.7	23.1	22.5	22.0	21.4
73	26.8	26.1	25.4	24.7	24.0	23.4	22.8	22.2	21.6	21.1
74	26.6	25.9	25.2	24.5	23.8	23.1	22.5	21.9	21.3	20.8
75	26.5	25.7	25.0	24.3	23.6	22.9	22.3	21.6	21.0	20.5

***Subject to change in 2022**

Snapshot of Current Vs. Proposed LE tables

Uniform Lifetime Table		
Age	Current LE Factor	Proposed LE Factor
70	27.4	29.1
71	26.5	28.2
72	25.6	27.3
73	24.7	26.4
74	23.8	25.5
75	22.9	24.6
76	22.0	23.7
77	21.2	22.8

Single Life Table		
Age	Current LE Factor	Proposed LE Factor
0	82.4	84.5
1	81.6	83.7
2	80.6	82.7
3	79.7	81.7
4	78.7	80.8
5	77.7	79.8
6	76.7	78.8
7	75.8	77.8

RMD Notice

- Notice 2002-27
- Financial organization required to provide notice to IRA holders who had a prior year end balance
- Due by January 31 of the RMD year

Roth RMD

- Roth IRA holders are not subject to the RMD rules
- RMD rules for the Roth IRA will take effect in the year following the death of the IRA holder
- Beneficiaries of Roth IRAs are subject to RMD rules

~~RMD~~

What's Next?



Want more information regarding IRA Academy?

➔ Complete our brief survey



Prefer IRA Training at Your Pace?

➔ We are launching our on-demand program soon!



Follow us on social media for updates



Time for Questions



Stay Connected



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“

Education is the passport to the future, for tomorrow belongs to those who prepare for it today.

- *Malcolm X*

