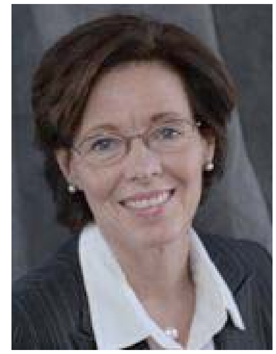
January to March 2013

IRA News & Tips



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Content

Your IRA Calender

Please make note of the following deadlines:

- **January 31, 2013:** The deadline by which your IRA custodian or plan trustee must mail your 2012 1099-R statement. This is also the deadline by which your IRA custodian must mail your fair market value (FMV) statement, as well as your 2013 required minimum distribution (RMD) statement for your Traditional IRA, SEP IRA and/or SIMPLE IRA if you are of RMD age.
    - *Form 1099-R* is used to report distributions taken from your retirement accounts, and recharacterizations between your Traditional and Roth IRAs. If income tax was withheld from your distribution, the amount should also be reported on your Form 1099-R.
    - *Your FMV statement* shows the value of your IRA as of December 31, 2012. Your December 31, 2012 FMV is included in the formula used to calculate your RMD for 2013.
    - *Your RMD statement* must be provided by the custodian that held your IRA on December 31 of last year, and must either include your RMD amount for the year, or an offer to calculate your RMD upon receiving a request from you. This requirement does not apply to Inherited IRAs.
- **April 1, 2013:** If you reached age 70½ in 2012, you are required to take an RMD for 2012. If you did not already take this RMD from your IRA, you have until April 1, 2013 to do so. Failure to take this RMD by April 1 will result in you owing the IRS a 50% penalty on the RMD amount not taken by the deadline.
- **April 15, 2013:** Deadline for making contributions to your Roth and Traditional IRAs for 2012. Contributions must be received by your financial institution by this date (if hand delivered) or postmarked by this date (if mailed).**IN&T**

Higher Contribution Limits for 2013

The amounts that you are allowed to add to your retirement savings accounts for 2013 have been increased. In addition, the income limits for claiming a tax deduction for contributions to your Traditional IRAs have been increased, along with the income limit for being eligible to make contributions to your Roth IRA. These changes, which are highlighted below, allow you to add even more to your retirement nest egg.

IRA Contributions

You can now contribute up to $5,500 to your IRA, plus an additional $1,000 if you are at least age 50 by the end of the year. This amount can be contributed to your Traditional IRA, Roth IRA, or split between both types of IRAs. The rules on income and eligibility still apply and include the following:

Eligible Compensation Requirement

You must have taxable compensation in order to contribute to an IRA.

Eligible compensation includes taxable wages, tips, other compensation reported in Box 1 of Form W-2, commissions and net profit from self-employment. Your contribution for the year cannot exceed your eligible compensation amount that you receive for the year. For example, if your eligible compensation is only $4,000, your contribution is limited to $4,000. On the other hand, if your eligible compensation is at least $5,500, you can contribute up to the maximum allowed amount of $5,500 ($6,500 if you are at least age 50 by the end of the year).

Your Spouse's Income Counts

If you have little or no income, but you are married and file a joint tax return with your spouse, eligible compensation received by your spouse can be used to satisfy your compensation requirement. Compensation received by your spouse must be enough to cover contributions to your IRA, as well as any contributions made to your spouse's IRA.

Age Limit on Traditional IRAs

Contributions cannot be made to your Traditional IRA beginning the year you reach age 70 ½. If you are age 70 ½ or older this year and want to make an IRA contribution, you may make it to a Roth IRA if you meet the income requirements (see below).

Income Limit on Roth IRA Contributions

Your modified adjusted gross income (MAGI) determines whether you are eligible to make a contribution to a Roth IRA. The following are the MAGI limits and corresponding allowed contributions for 2013.

Tax Filing Status	2013 MAGI	Allowed contribution
Single	$112,000 or less	100%
	$112,000 - $127,000	Partial
	$127,000 or more	None
Married filing jointly	$178,000 or less	100%
	$178,000- $188,000	Partial
	$188,000 or more	None
Married filing separately	Less than $10,000	Partial
	$10,000 or more	None

If your MAGI falls into the 'partial' range, a special calculation needs to be done to determine how much you are eligible to contribute.

Income Limit on Deducting Traditional IRA Contributions for Some

If you receive contributions or benefits under a retirement plan offered by your employer, or you are married to someone who does, your eligibility to deduct contributions to your Traditional IRA is determined by your MAGI and your tax filing status. The following are the MAGI that apply to each tax filing status for 2013.

Tax Filing Status	2013 MAGI	Allowed deduction
Single	$59,000 or less	100%
	$59,000 - $69,000	Partial
	$69,000 or more	None
Married filing jointly or a qualifying widower, and active participant	$95,000 or less	100%
	$95,000- $115,000	Partial
	$115,000 or more	None
Married filing jointly. Not active, but spouse is an active participant	$178,000 or less	100%
	$178,000 - $188,000	Partial
	$188,000 or more	None
Married filing separately	Less than $10,000	Partial
	$10,000 or more	None

If your MAGI falls into the partial deduction range, a special calculation needs to be done to determine how much you are eligible to deduct.

Salary Deferral Contributions

The amounts that you can contribute as salary deferrals to a 401(k), 403(b) or Thrift Savings Plan have been increased to $17,500. If you are at least age 50 by the end of the year, you can contribute an additional $5,500. For SIMPLE IRAs, the salary deferral limit has been increased to $12,000, and you can contribute an additional $2,500 if you are at least age 50 by the end of the year.

If you participate in multiple employer retirement plans, your aggregate salary deferrals to all of these plans cannot exceed a total of $17,500, plus $5,500 if you are at least age 50 by the end of this year. This does not include governmental 457(b) plans. As such, if you participate in a 401(k) plan and a governmental 457(b) plan, you can make salary deferrals of $17,500 (plus the $5,500 if you are at least age 50 by year-end) to each plan.

Start Early…

Implement your contribution plans early and spread them out over the year if possible, instead of waiting until year-end to make a lump-sum contribution. This can help to make it easier to contribute the maximum amount for the year. Please do not hesitate to contact us for assistance with determining eligibility and suitability for your contributions. **IN&T**

IRA Seasonal Tips

If you have not yet made your IRA contributions for 2012 and plan to do so, there are some steps you should follow to help ensure they are processed properly. These are as follows:

1. *Meet the deadline:* You have until April 15, 2013 to make your Traditional and/or Roth IRA contributions for 2012. This means that your contribution must be delivered to your financial institution by April 15 if hand delivered, or postmarked by April 15 if delivered by mail.

   If mailed, you must use an IRS approved mailing service in order to satisfy the postmark requirement. This is important in the event your financial institution receives the contribution after April 15. In addition to the United States post office, the following services are approved for this purpose:

   - DHL Express (DHL): DHL Same Day Service; DHL Next Day 10:30 am; DHL Next Day 12:00 pm; DHL Next Day 3:00 pm; and DHL 2nd Day Service;
   - Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2 Day, FedEx International Priority, and FedEx International First; and
   - United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express
2. *Indicate the tax year:* The person who processes your deposit will not be able to determine the tax year to which the amount should be applied, unless you include that information. Even if you send in a contribution-form with a check, write the tax year on the check, just in case it gets separated from the form. If that information is not included, your financial institution has the right to apply the amount to 2013, if they receive it on or after January 1, 2013.
3. *Indicate the type of account:* This is especially important if you have more than one account with the same financial institution. You don’t want to have your Traditional IRA contribution deposited to your checking account, or your Roth IRA contribution deposited to your Traditional IRA. Make sure that the correct account number is written on your check or other deposit instrument to prevent any such errors. Also, note the ‘type’ of contribution, such as ’Roth’ or ‘Traditional’ IRA Contribution.
4. *Follow-up:* Don’t assume that your IRA contribution was processed accurately. Check your statement for the month in which the deposit was made. If any mistakes are detected, notify your financial institution immediately. Be sure to follow-up again to ensure that the appropriate adjustments were done accurately.
5. *Don’t Exceed limit:* The IRA contribution limit is the lesser of 100% of eligible taxable income that you received during 2012 or $5,000 ($6,000 if you were at least age 50 by December 31, 2012). This means that if you earned only $4,000 for the year, your IRA contribution cannot exceed $4,000. Contributions in excess of the limit are subject to a 6% excise tax for each year the amount remains in your IRA, if they are not distributed from the IRA within certain timeframes.
6. *Little or No Income? Use your Spouse’s Income*: If you did not earn sufficient income to make your IRA contribution, you may base your contribution on your spouse’s income. This may be done if you file a joint tax return, and your spouse’s taxable income is sufficient to cover both your IRA contribution as well as any IRA contributions made to his/her IRA for the year.
7. *File Form 8606 for nondeductible contributions:* If you make a contribution to your Traditional IRA and did not claim a tax deduction for any portion of the contribution, you must File IRS Form 8606 to let the IRS know that the contribution is nondeductible. Form 8606 helps you and the IRS to keep track of these nondeductible amounts, thus ensuring that they are not subject to income tax when withdrawn from the IRA.

Contact us for more information about the rules which apply to your IRA contributions. **IN&T**

Questions and Answers

Q: I just found out that my 75 year old mother has not taken her required minimum distribution (RMD) for last year. I was told that she now owes the IRS a 50-percent penalty on the RMD amount because it was not withdrawn by December 31 of last year. Is there any way to get a waiver of that penalty?

A: It depends. The IRS will waive the penalty if your mother can show 'reasonable cause' for not taking her RMD by the deadline or demonstrate that she missed the deadline due to 'reasonable error'. In cases where she qualifies for the waiver, she should withdraw the missed RMD amount immediately. IRS Form 5329 should be filed with her tax return to request with the waiver, along with a copy of the account statement as proof of the withdrawal and a letter of explanation. If the IRS denies her waiver request, she would then be required to pay the 50-percent excess accumulation penalty.

If she does not qualify for the waiver and therefore would not submit a waiver request, the penalty should be calculated on IRS Form 5329 and paid along with any other penalty and income tax that she owes for the year.

Please contact our office for assistance with determining if she qualifies for the waiver.

Q: I completed paperwork to open my IRA and did not name any beneficiaries. Who inherits the IRA if I do not complete a beneficiary designation form?

A: If you do not name a beneficiary for your IRA, your beneficiary is determined by the terms of your IRA agreement. For instance, the IRA agreement may provide that if no beneficiary is named, your beneficiary would be your estate, spouse, or children. Please contact us for assistance with ensuring that your intended beneficiary inherits your IRA.

Q: I have already filed my tax return for last year, which included tax reporting for a contribution to my Traditional IRA. However, I have not yet delivered the contribution to my IRA custodian. Am I still allowed to make the contribution?

A: Yes. Your IRA contribution can be made after your tax return has been filed, as long as it is made by April 15. The contribution must be delivered to your IRA custodian by April 15 if hand delivered, or postmarked by April 15 if delivered by mail. **IN&T**