

# Maintaining IRA Compliance



## Learning Objectives

- ✔ Describe auditing procedures and the recommended corrections
- ✔ Recognize and prevent common compliance errors
- ✔ Identify the penalties associated with the three main areas of IRA compliance

# Three Areas of IRA Compliance



Documents



Reporting



Withholding

# Suggested Auditing Procedures

## Review

- Rules
- Forms
- Operations
- Files

## Evaluate Results

- Error patterns
- Root causes

## Address Problems

- Training
- Procedure updates
- Follow up



# Review Files

A person in a white shirt is sitting at a desk, holding a pen and reviewing a document. A laptop is visible on the desk in the foreground. The background is blurred, showing a modern office environment.

CIP information

Opening documents

Amendments

Beneficiary information

IRA transaction documents

Contribution information

Distribution information

Other transaction paperwork

## Common Errors



### Plan Agreement and Disclosure Statement

- No signed document
- No written acknowledgement of receipt



## Common Errors



### Financial Disclosure

- Required assumptions not used
- Projections do not reflect early withdrawal penalties
- Blank financial disclosure provided
- No written acknowledgement of receipt

## Common Errors



### Amendments

- No evidence of amendment
- Only occasional occurrence
- Limited or non-existent documentation from acquired businesses



# Corrections

Problem	Solution
<b>No Opening Documents</b>	<p>The financial organization may</p> <ul style="list-style-type: none"><li>• ask the individual if he has the signed, original documents, and make copies for its files;</li><li>• ask the individual to sign new documents to legitimize the IRA from this point forward; or</li><li>• place a note in the file detailing the circumstances that may account for the loss of the documents (e.g., a merger or acquisition).</li></ul>
<b>Missing Amendments</b>	<p>The financial organization may want to send a “catch-all” amendment to all affected IRA owners.</p>

# Penalties

Deficiency	Penalty
Failure to provide plan agreement or disclosure statement to IRA owners	\$50 for each failure
Failure to provide properly completed financial disclosure to IRA owners	\$50 for each failure
Failure to provide plan agreement or disclosure statement amendment to IRA owners when amendment is required by the law or regulation	\$50 for each failure

# Maintaining IRA Compliance Exercise #1

Pages 7-10



# Maintaining IRA Compliance Exercise #1

Bearcats Financial Organization asked you to audit a random sampling of IRA files. Assess the forms on pages 8-10 or slides 13-15 and determine whether they are compliant.

**TRADITIONAL****IRA**  
Simplifier®

## INDIVIDUAL RETIREMENT ACCOUNT APPLICATION

**PART 1. IRA OWNER**

Name (First/M/Last) Hank Brackett  
 Address Line 1 8931 E. North St.  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP Tucson, AZ 85701  
 Social Security Number 200304000  
 Date of Birth 06/17/1956 Phone 520-516-5116  
 Email Address \_\_\_\_\_  
 Account Number 111T1

**PART 2. IRA CUSTODIAN***To be completed by the IRA custodian*

Name Bearcats Financial Organization  
 Address Line 1 641 Dodge Way  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP Tucson, AZ 85701  
 Phone 520-555-7777 Organization Number 12345

- This is an amendment to an existing IRA.  
 This IRA contains only simplified employee pension (SEP) plan assets.

**PART 3. CONTRIBUTION INFORMATION**

Contribution Amount \$6,500.00 Contribution Date 05/24/2016

**CONTRIBUTION TYPE (Select one)**

- 1. Regular** (Includes catch-up contributions)  
 Contribution for Tax Year \_\_\_\_\_
- 2. Rollover** (Distribution from an IRA or eligible employer-sponsored retirement plan that is being deposited into this IRA)  
 By selecting this transaction, I irrevocably designate this contribution as a rollover.
- 3. Transfer** (Direct movement of assets from a Traditional IRA into this IRA)
- 4. Recharacterization** (Irrevocable movement of a Roth IRA contribution, conversion or retirement plan rollover to a Roth IRA into this IRA)  
 By selecting this transaction, I irrevocably designate this contribution as a recharacterization.
- 5. SEP Contribution** (Contribution made under a SEP plan. SEP contributions are reported for the year in which the contribution is made)

**IF YOU ARE 70½ OR OLDER THIS YEAR, COMPLETE THE FOLLOWING, IF APPLICABLE**  
(Checking any of the following will require adjusting your required minimum distribution.)

- This is a rollover or transfer of assets removed last year. Date of Removal \_\_\_\_\_
- This is a transfer from my deceased spouse's Traditional IRA and the assets were removed from the IRA in any year after death.  
 The value of my portion of my deceased spouse's IRA on December 31 of last year \_\_\_\_\_
- This is a recharacterization of a conversion or taxable retirement plan rollover to a Roth IRA made last year.

**PART 4. INVESTMENT AND DEPOSIT INFORMATION****INVESTMENT INFORMATION** (Complete this section as applicable.)

Investment Description	Quantity or Amount	Investment Number	Term or Maturity Date	Interest Rate

**DEPOSIT METHOD**

- Cash or Check** (If the contribution type is transfer, the check must be from a financial organization made payable to the custodian for this IRA.)
- Internal Account**  
 Account Number \_\_\_\_\_ Type (e.g., checking, savings, IRA) \_\_\_\_\_
- External Account (e.g., EFT, ACH, wire)** (Additional documentation may be required and fees may apply.)  
 Name of Organization Sending the Assets \_\_\_\_\_ Routing Number (Optional) \_\_\_\_\_  
 Account Number \_\_\_\_\_ Type (e.g., checking, savings, IRA) \_\_\_\_\_

Deposit Taken by \_\_\_\_\_

Name of IRA Owner Hank Brackett, Account Number 111T1

**PART 5. BENEFICIARY DESIGNATION**

I designate that upon my death, the assets in this account be paid to the beneficiaries named below. The interest of any beneficiary that predeceases me terminates completely, and the percentage share of any remaining beneficiaries will be increased on a pro rata basis. If no beneficiaries are named, my estate will be my beneficiary.

I elect not to designate beneficiaries at this time and understand that I may designate beneficiaries at a later date.

**PRIMARY BENEFICIARIES** (The total percentage designated must equal 100%. If more than one beneficiary is designated and no percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the IRA.)

Name Johnny Reach Name \_\_\_\_\_  
 Address 2543 Barris Dr. Address \_\_\_\_\_  
 City/State/ZIP Santa Fe, NM 87501 City/State/ZIP \_\_\_\_\_  
 Date of Birth 08/23/1959 Relationship Friend Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_  
 Tax ID (SSN/TIN) 400302000 Percent Designated 100 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_  
 Name \_\_\_\_\_ Name \_\_\_\_\_  
 Address \_\_\_\_\_ Address \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_ City/State/ZIP \_\_\_\_\_  
 Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_ Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_  
 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_ Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_

**CONTINGENT BENEFICIARIES** (The total percentage designated must equal 100%. If more than one beneficiary is designated and no percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the IRA. The balance in the account will be payable to these beneficiaries if all primary beneficiaries have predeceased the IRA owner.)

Name \_\_\_\_\_ Name \_\_\_\_\_  
 Address \_\_\_\_\_ Address \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_ City/State/ZIP \_\_\_\_\_  
 Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_ Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_  
 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_ Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_  
 Name \_\_\_\_\_ Name \_\_\_\_\_  
 Address \_\_\_\_\_ Address \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_ City/State/ZIP \_\_\_\_\_  
 Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_ Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_  
 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_ Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_

Check here if additional beneficiaries are listed on an attached addendum. Total number of addendums attached to this IRA \_\_\_\_\_

**PART 6. SPOUSAL CONSENT**

Spousal consent should be considered if either the trust or the residence of the IRA owner is located in a community or marital property state.

**CURRENT MARITAL STATUS**

I Am Not Married - I understand that if I become married in the future, I should review the requirements for spousal consent.

I Am Married - I understand that if I choose to designate a primary beneficiary other than or in addition to my spouse, my spouse should sign below.

**CONSENT OF SPOUSE**

I am the spouse of the above-named IRA owner. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Because of the important tax consequences of giving up my interest in this IRA, I have been advised to see a tax professional.

I hereby relinquish any interest that I may have in this IRA and consent to the beneficiary designation indicated above. I assume full responsibility for any adverse consequences that may result.

Signature of Spouse \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_  
 Signature of Witness \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_

**PART 7. SIGNATURES**

Important: Please read before signing.

I understand the eligibility requirements for the type of IRA contribution I am making, and I state that I do qualify to make the contribution. I have received a copy of the IRA Application, the 5305-A Custodial Account Agreement, the Financial Disclosure, and the Disclosure Statement. I understand that the terms and conditions that apply to this IRA are contained in this Application and the Custodial Account Agreement. I agree to be bound by those terms and conditions. Within seven days from the date I open this IRA I may revoke it without penalty by mailing or delivering a written notice to the custodian.

I assume complete responsibility for:

- determining that I am eligible for an IRA each year I make a contribution,
- ensuring that all contributions I make are within the limits set forth by the tax laws, and
- the tax consequences of any contributions (including rollover contributions) and distributions.

Hank Brackett 05/24/2016  
 Signature of IRA Owner Date (mm/dd/yyyy)  
 Signature of Witness \_\_\_\_\_ Date (mm/dd/yyyy)  
 Signature of Custodian \_\_\_\_\_ Date (mm/dd/yyyy)

**METHOD II Growth can be projected**

The financial projections below show the amount that would be available if you were to withdraw your IRA assets at the indicated times. These projections are based on the following assumptions.

**CONTRIBUTION** (Select one)

- Regular. An annual \$1,000 deposit is made on the first day of each year.
- Rollover, Transfer, or Conversion.\* A one-time \$1,000 deposit is made on the first day of the first year.

Your Age on Your Birth Date in Contribution Year 60  
 Investment Instrument 3 Year CD  
 Length of Time Deposit 1 Year  
 Rate of Interest 4.5 %  
 Compounding Method Annually

**FINANCIAL PROJECTIONS**

Number of Years in IRA Program	Total Accumulation of IRA Dollars	Amount After Fees and Penalties
1 Year	\$ 1,045.00	\$ 1,045.00
2 Years	\$ 2,137.03	\$ 2,137.03
3 Years	\$ 3,278.19	\$ 3,278.19
4 Years	\$ 4,470.71	\$ 4,470.71
5 Years	\$ 5,716.89	\$ 5,716.89

  

End of the Year You Reach Age	Total Accumulation of IRA Dollars	Amount After Fees and Penalties
60	\$ 1,045.00	\$ 1,045.00
65	\$ 7,019.15	\$ 7,019.15
70	\$ 14,484.03	\$ 14,484.03

**ADDITIONAL FINANCIAL DISCLOSURE INFORMATION**

The account values shown are projections based on many assumptions. These projections have been reduced by any applicable fees. They are not guaranteed, but depend upon many factors, including the interest rates and terms of future funding instruments.

We may charge you an annual service fee or other fees in connection with your IRA. If we do not charge these fees now, we may do so in the future after giving you notice. If you do not pay these fees separately, they may be paid from the assets of your IRA.

**CURRENT FEES**

\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ \$ \_\_\_\_\_

\*Conversion applies to Roth IRAs only

**METHOD III Growth cannot be projected**

The value of your IRA will be dependent solely upon the performance of any investment instrument used to fund your IRA. Therefore, no projection of the growth of your IRA can reasonably be shown or guaranteed.

Terms and conditions of the IRA that affect your investment are listed below.

**INVESTMENT OPTIONS**

Your IRA will be invested in products that we offer directly or those we offer through a relationship with a registered securities broker-dealer.

**FEES**

There are certain fees and charges connected with your IRA investments. These fees and charges may include the following.

- Sales Commissions
- Investment Management Fees
- Distribution Fees
- Set Up Fees
- Annual Maintenance Fees
- Surrender or Termination Fees

To find out what fees apply, refer to the investment prospectus or contract.

There may be certain fees and charges connected with the IRA itself. (Select and complete as applicable.)

- Annual Service Fee  
 Transfer Fee  
 Rollover Fee  
 Termination Fee  
 Other (Explain) \_\_\_\_\_

We reserve the right to change any of the above fees after notice to you, as provided in your IRA agreement.

**EARNINGS**

The method for computing and allocating annual earnings (e.g., interest, dividends) on your IRA will differ based on the nature and issuer of the investments chosen. Refer to the investment prospectus or contract for the methods used for computing and allocating annual earnings.

**OTHER**

Other terms or conditions that apply to your IRA include the following.



# Maintaining IRA Compliance Exercise #1

## Application

Compliant?

No

Why or why not?

The application is not signed by the trustee.

# Maintaining IRA Compliance Exercise #1

## Financial Disclosure

Compliant?

Yes, so long as the financial organization doesn't charge additional transaction fees.

Why or why not?

The financial disclosure shows projected amounts for the first 5 years of investment and ages 60, 65, and 70 based on the appropriate assumptions.

## Common Errors



### Withholding

- Failure to provide notice
- Failure to withhold correct amount
- Failure to report and remit withholding to the IRS

# Corrections

<b>Problem</b>	<b>Solution</b>
<b>Missing Evidence of Withholding Notice and Election</b>	<p>No remedial action is available if withholding notices and elections are absent.</p> <p>Financial organizations should make sure current operations include correct withholding procedures.</p>

# Penalties

Deficiency	Penalty
Failure to give notice to recipients of their right to waive federal withholding on IRA distributions	\$10 for each failure
Failure to withhold federal income tax required to be withheld on IRA distributions	Financial organization liable for the payment of the tax required to be withheld
Failure to keep records necessary to report withholding to the IRS	\$50 for each account for which proper records were not kept

A woman with long dark hair, wearing a dark sleeveless top, stands behind a podium. She is gesturing with her right hand raised and looking towards the right. In the foreground, the backs of several audience members' heads are visible, suggesting a presentation or lecture setting. The entire image has a blue tint.

# Maintaining IRA Compliance Exercise #2

Pages 13-16

## Maintaining IRA Compliance Exercise #2

Assess the Withdrawal Authorization form and Form 1099-R on pages 14-16 or slides 23-25 and determine whether the transaction and reporting were properly completed.



# IRA WITHDRAWAL AUTHORIZATION

The term IRA will be used below to mean Traditional IRA and SIMPLE IRA, unless otherwise specified. Refer to pages 2 and 3 of this form for reporting and withholding notice information.

## PART 1. IRA OWNER

Name (First/M/Last) Hank Brackett  
 Social Security Number 200-30-0400  
 Date of Birth 06/17/1956 Phone (520) 516-5116  
 Email Address \_\_\_\_\_  
 Account Number 111T1 Suffix \_\_\_\_\_

## PART 2. IRA TRUSTEE OR CUSTODIAN

To be completed by the IRA trustee or custodian

Name Bearcats Financial Organization  
 Address Line 1 641 Dodge Way  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP Tucson, AZ 85701  
 Phone (520) 555-7777 Organization Number 12345

### ACCOUNT TYPE (Select one)

Traditional IRA  SIMPLE IRA

## PART 3. BENEFICIARY OR FORMER SPOUSE INFORMATION

This section should only be completed by a beneficiary taking a death withdrawal or transferring inherited IRA assets to another IRA, or by a former spouse taking a withdrawal as a result of a court-approved property settlement due to divorce or legal separation.

Name (First/M/Last) \_\_\_\_\_ Address Line 1 \_\_\_\_\_  
 Tax ID (SSN/TIN) \_\_\_\_\_ Address Line 2 \_\_\_\_\_  
 Date of Birth \_\_\_\_\_ Phone \_\_\_\_\_ City/State/ZIP \_\_\_\_\_

## PART 4. WITHDRAWAL INFORMATION

Total Withdrawal Amount \$5,500  
 Withdrawal Date 11/24/2018  
 This Withdrawal Will Cause This IRA \_\_\_\_\_

### WITHDRAWAL REASON (Select one)

- 1. Transfer to Another IRA
- 2. Normal Withdrawal (Age 59½ or older)
- 3. Early Withdrawal (Under Age 59½) (Select a, b, or c if applicable)
  - a. Disability
  - b. Direct Conversion to a Roth IRA, Substantially Equal Periodic Payments, or IRS Levy
  - c. SIMPLE IRA Withdrawal in the First Two Years (No IRS penalty exception)
- 4. Death Withdrawal by a Beneficiary
- 5. Direct Rollover to an Eligible Employer-Sponsored Retirement Plan
- 6. Prohibited Transaction
- 7. Excess Contribution Removed Before the Excess Removal Deadline (Enter the net income attributable to the excess and select a or b)
  - Net Income Attributable \_\_\_\_\_
  - a. Excess Contributed and Removed in the Same Year
  - b. Excess Contributed in One Year and Removed in the Next Year
- 8. Excess Contribution Removed After the Excess Removal Deadline
- 9. SEP or SIMPLE IRA Excess Contribution Removed Under the EPCRS
- 10. Recharacterization (Enter the net income attributable to the recharacterized amount and select a or b)
  - Net Income Attributable \_\_\_\_\_
  - a. Same-Year Recharacterization
  - b. Prior-Year Recharacterization
- 11. Revocation of a Regular Contribution Earnings \_\_\_\_\_
- 12. Revocation of a Rollover, Transfer, or SEP or SIMPLE IRA Contribution

## PART 5. WITHHOLDING ELECTION (Rev. 12-18-17 Form W-4POMB No. 1545-0074)

Do not complete this section for a rollover, recharacterization, or direct rollover to an eligible employer-sponsored retirement plan, or if you are a nonresident alien.

Your withholding election will remain in effect for any subsequent withdrawal unless you change or revoke the election.

### FEDERAL WITHHOLDING (Select one)

- Withhold 10.00 % (Must be 10% or greater)  
 Withhold Additional Federal Income Tax of \$ \_\_\_\_\_ (if applicable)
- Do Not Withhold Federal Income Tax

### STATE WITHHOLDING (If applicable, select one)

- Name of Withholding State \_\_\_\_\_
- Withhold \_\_\_\_\_ %
- Withhold \$ \_\_\_\_\_
- Do Not Withhold State Income Tax

## PART 6. WITHDRAWAL SUMMARY

This section may be completed for informational purposes only.

Trustee or Custodian Penalties and Fees \_\_\_\_\_  
 Gross Withdrawal Amount\* \$5,500.00  
 Federal Withholding Amount \$500.00  
 State Withholding Amount \_\_\_\_\_  
 Net Amount Paid to Recipient \$5,000.00

\* The gross withdrawal amount is the total withdrawal amount in Part 4 after any penalties and fees assessed by the trustee or custodian.

Name of IRA Owner Hank Brackett Account Number 111T1

**PART 7. WITHDRAWAL INSTRUCTIONS**

**ASSET HANDLING** (Assets identified below will be liquidated immediately unless otherwise specified in the Special Instructions section.)

Asset Description	Amount to be Withdrawn	Special Instructions

**PAYMENT METHOD**

- Cash**  
 **Check** (If the withdrawal reason is transfer to another IRA, direct conversion to a Roth IRA, or direct rollover to an eligible employer-sponsored retirement plan, the check must be made payable to the receiving organization.)  
Make payable to \_\_\_\_\_  
 **Internal Account**  
Account Number \_\_\_\_\_ Type (e.g., checking, savings, IRA) \_\_\_\_\_  
 **External Account** (e.g., EFT, ACH, wire) (Additional documentation may be required and fees may apply.)  
Name of Organization Receiving the Assets \_\_\_\_\_ Routing Number (Optional) \_\_\_\_\_  
Account Number \_\_\_\_\_ Type (e.g., checking, savings, IRA) \_\_\_\_\_

**PART 8. SIGNATURES**

I certify that I am authorized to receive payments from this IRA and that all information provided by me is true and accurate. I have received a copy of the Withholding Notice Information. No tax advice has been given to me by the trustee or custodian. All decisions regarding this withdrawal are my own, and I expressly assume responsibility for any consequences that may arise from this withdrawal. I agree that the trustee or custodian is not responsible for any consequences that may arise from processing this withdrawal.

Hank Brackett 11/24/2018  
Signature of Recipient (Hank Brackett)  
 Notary Public/Signature Guarantor (Required by the Trustee or Custodian) \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_  
 Amy Latimer 11/24/2018  
Authorized Signature of Trustee or Custodian \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_

**WITHHOLDING NOTICE INFORMATION** (Form W-4P/OMB No. 1545-0074)

**Basic Information About Withholding From Pensions and Annuities.** Generally, federal income tax withholding applies to the taxable part of payments made from pension, profit sharing, stock bonus, annuity, and certain deferred compensation plans; from IRAs; and from commercial annuities.

**Caution:** There may be penalties for not paying enough tax during the year, through either withholding or estimated tax payments. New retirees should see Publication 505, Tax Withholding and Estimated Tax. It explains the estimated tax requirements and penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your IRA using Form W-4P.

**Purpose of Form W-4P.** Unless you elect otherwise, 10 percent federal income tax will be withheld from payments from individual retirement accounts (IRAs). You can use Form W-4P (or a substitute form, such as this form), provided by the trustee or custodian, to instruct your trustee or custodian to withhold no tax from your IRA payments or to withhold more than 10 percent. This substitute form should be used only for withdrawals from IRAs that are payable upon demand.

**Nonperiodic Payments.** Payments made from IRAs that are payable upon demand are treated as nonperiodic payments for federal income tax purposes. Generally, nonperiodic payments must have at least 10 percent income tax withheld.

Your election will remain in effect for any subsequent withdrawal unless you change or revoke it.

**Payments Delivered Outside of the U.S.** A U.S. citizen or resident alien may not waive withholding on any withdrawal delivered outside of the U.S. or its possessions. Withdrawals by a nonresident alien generally are subject to a tax withholding rate of 30 percent. A reduced withholding rate may apply if there is a tax treaty between the nonresident alien's country of residence and the United States and if the nonresident alien submits Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding, or satisfies the documentation requirements as provided under federal regulations. The Form W-8BEN must contain the foreign person's taxpayer identification number.

For more information, Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, and Publication 519, U.S. Tax Guide for Aliens, are available on the IRS website at www.irs.gov or by calling 1-800-TAX-FORM.

**Revoking the Exemption From Withholding.** If you want to revoke your previously filed exemption from withholding, file another Form W-4P with the trustee or custodian and check the appropriate box on that form.

**Statement of Income Tax Withheld From Your IRA.** By January 31 of next year, your trustee or custodian will provide a statement to you and to the IRS showing the total amount of your IRA distributions and the total federal income tax withheld during the year. Copies of Form W-4P will not be sent to the IRS by the trustee or custodian.

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.  BEARCATS FINANCIAL ORGANIZATION  641 DODGE WAY  TUCSON, AZ 85701		1 Gross distribution		OMB No. 1545-0119		<b>2018</b>	<b>Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</b>
		\$ 5000.00					
		2a Taxable amount		Form <b>1099-R</b>			
		\$ 5000.00					
		2b Taxable amount not determined <input checked="" type="checkbox"/>		Total distribution <input type="checkbox"/>			<b>Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.</b>
PAYER'S TIN		RECIPIENT'S TIN		3 Capital gain (included in box 2a)			
13-2457689		200-30-4000		\$		\$ 500.00	
RECIPIENT'S name  HANK BRACKETT  Street address (including apt. no.)  8931 E. NORTH ST.  City or town, state or province, country, and ZIP or foreign postal code TUCSON, AZ 85701		5 Employee contributions/ Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities			
		\$		\$			
		7 Distribution code(s) 7		IRA/SEP/SIMPLE <input checked="" type="checkbox"/>		8 Other	
				\$		%	
		9a Your percentage of total distribution		9b Total employee contributions			
		%		\$			
10 Amount allocable to IRR within 5 years		11 1st year of desig. Roth contrib.		FATCA filing requirement		12 State tax withheld	
\$				<input type="checkbox"/>		\$	
13 State/Payer's state no.		14 State distribution		15 Local tax withheld		16 Name of locality	
\$		\$		\$		\$	
Account number (see instructions)		Date of payment		17 Local distribution		\$	
				\$		\$	

Form **1099-R**

[www.irs.gov/Form1099R](http://www.irs.gov/Form1099R)

Department of the Treasury - Internal Revenue Service

# Maintaining IRA Compliance Exercise #2

## Withdrawal Authorization

Compliant?

No

Why or why not?

The withholding amount is under 10%.

# Maintaining IRA Compliance Exercise #2

Form 1099-R

Compliant?

No

Why or why not?

It shows \$5,000.00 in boxes 1 and 2a – it should show \$5,500.00.

## Common Errors



### Reporting

- Lack of documentation to support transactions
- Form 5498 incorrectly completed
- Form 1099-R incorrectly completed

## Common Errors



### Reporting

- FMV or RMD statement does not contain required language
- Reporting corrections are not completed correctly



# Corrections

Problem	Solution
<b>Incorrect Reporting Forms</b>	<p>The examiner may find that some IRS reporting forms do not accurately reflect the IRA transactions that took place.</p> <p>According to the <i>Instructions for Forms 1099-R and 5498</i>, corrections to reporting forms should be made as soon as possible following the discovery of the error.</p> <ul style="list-style-type: none"><li>• 250 or more corrections of any Forms 5498 or 1099-R – send corrections electronically. Limit applies separately to each form. IRS proposed regulations would aggregate this total for returns filed after December 31, 2018.</li><li>• Financial organizations must use Form 1096 to transmit paper corrections.</li></ul>

# Penalties

Deficiency	Penalty
Failure to timely file Forms 5498 with IRS or IRA owner	\$50 per return, no maximum
Failure to timely file Forms 1099-R with IRS or IRA owner	Tiered penalty structure (\$50, \$100, or \$270 per return)
Failure to provide FMV statements to IRA owners	\$50 for each failure
Failure to provide account statements to IRA owners	\$50 for each failure
Failure to provide RMD statements to IRA owners	Unspecified

A woman with long dark hair, wearing a dark sleeveless top, stands behind a podium. She is gesturing with her right hand raised and looking towards the right. In the foreground, the backs of several audience members' heads are visible, looking towards the speaker. The entire scene is overlaid with a semi-transparent blue filter.

# Maintaining IRA Compliance Exercise #3

Pages 21-29

## Maintaining IRA Compliance Exercise #3

Assess the file for Johnny Reach on pages 22-24 or slides 34-36.

Bearcats Financial Organization

641 Dodge Way

Tucson, AZ 85701

**12/31/2018 Statement**

Johnny Reach

5/23/2018 – IRA Contribution for 2018 ..... \$4,000.00

Year-to-date earnings ..... \$250.00

12/31/2018 Balance ..... \$4,250.00

This information is being sent to the IRS.

**TRADITIONAL****IRA CONTRIBUTION AND INVESTMENT SELECTION****PART 1. IRA OWNER**

Name (First/M/Last) Johnny Reach  
 Social Security Number 400-30-2000  
 Date of Birth 08/23/1950 Phone (505) 777-4444  
 Email Address \_\_\_\_\_  
 Account Number 222T2 Suffix \_\_\_\_\_

**PART 2. IRA TRUSTEE OR CUSTODIAN***To be completed by the IRA trustee or custodian*

Name Bearcats Financial Organization  
 Address Line 1 641 Dodge Way  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP Tucson, AZ 85701  
 Phone (520) 555-7777 Organization Number 12345

**PART 3. CONTRIBUTION INFORMATION**

Contribution Amount 4000.00 Contribution Date 05/23/2018

**CONTRIBUTION TYPE** (Select one)

- 1. Regular** (Includes catch-up contributions)  
 Contribution for Tax Year 2018
- 2. Rollover** (Distribution from a Traditional IRA, SIMPLE IRA, or eligible employer-sponsored retirement plan that is being deposited into this Traditional IRA)  
 By selecting this transaction, I irrevocably designate this contribution as a rollover.
- 3. Transfer** (Direct movement of assets from a Traditional IRA or SIMPLE IRA into this Traditional IRA)
- 4. Rollover/Recharacterization** (A nontaxable movement of a Roth IRA contribution into this Traditional IRA)  
 By selecting this transaction, I irrevocably designate this contribution as a rollover/recharacterization.
- 5. SEP Contribution** (Contribution made under a simplified employee pension (SEP) plan. SEP contributions are reported for the year in which the contribution is made)

**IF YOU ARE 70½ OR OLDER THIS YEAR, COMPLETE THE FOLLOWING IF APPLICABLE***(Checking any of the following will require a lump-sum distribution.)*

- This is a rollover or transfer of assets reported last year. Date of Rollover \_\_\_\_\_
- This is a transfer from my deceased spouse's Traditional IRA and the assets were removed from the IRA in any year after death.  
 The value of my portion of my deceased spouse's IRA on December 31 of last year \_\_\_\_\_

**PART 4. INVESTMENT AND DEPOSIT INFORMATION****INVESTMENT INFORMATION** (Complete this section as applicable.)

Investment Description	Quantity or Amount	Status (new or existing)	Investment Number	Term or Maturity Date	Interest Rate

**DEPOSIT METHOD**

- Cash or Check** (If the contribution type is transfer, the check must be from a financial organization made payable to the trustee for this IRA.)

**Internal Account**  
 Account Number \_\_\_\_\_ Type (e.g., checking, savings, IRA) \_\_\_\_\_

**External Account** (e.g., EFT, ACH, wire) (Additional documentation may be required and fees may apply.)  
 Name of Organization Sending the Assets \_\_\_\_\_ Routing Number (Optional) \_\_\_\_\_

Account Number \_\_\_\_\_ Type (e.g., checking, savings, IRA) \_\_\_\_\_

Deposit Taken by \_\_\_\_\_

**PART 5. SIGNATURE**

I certify that all of the information provided by me is accurate and may be relied upon by the trustee or custodian. I certify that the contribution described above is eligible to be contributed to the IRA and I authorize the deposit to be invested in the manner described above.

Johnny Reach 05/23/2018  
 Signature of IRA Owner Date (mm/dd/yyyy)

CORRECTED (if checked)

TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code  BEARCATS FINANCIAL ORGANIZATION 641 DODGE WAY TUCSON, AZ 85701		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a) \$ 4000.00	OMB No. 1545-0747  <b>2018</b>		<b>IRA Contribution Information</b>
		2 Rollover contributions \$	Form <b>5498</b>		
TRUSTEE'S or ISSUER'S TIN  13-2457689		PARTICIPANT'S TIN  400-30-2000		4 Recharacterized contributions \$	<b>Copy B</b>  <b>For Participant</b>
		PARTICIPANT'S name  JOHNNY REACH		5 FMV of account \$4250.00	
Street address (including apt. no.)  2543 BARRIS DR.		7 IRA <input checked="" type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>	8 SEP contributions \$		This information is being furnished to the IRS.
City or town, state or province, country, and ZIP or foreign postal code  SANTA FE, NM 87501		9 SIMPLE contributions \$	10 Roth IRA contributions \$		
Account number (see instructions)		11 If checked, required minimum distribution for 2019 <input type="checkbox"/>	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](http://www.irs.gov/Form5498)

Department of the Treasury - Internal Revenue Service



# Maintaining IRA Compliance Exercise #3

File

Compliant?

No

Why or why not?

The file contains no opening documents.

## Maintaining IRA Compliance Exercise #3

Assess the forms for Hank Brackett on pages 25-29 or slides 39-43.



# ROTH INDIVIDUAL RETIREMENT ACCOUNT APPLICATION

## PART 1. ROTH IRA OWNER

Name (First/M/Last) Hank Brackett  
 Address Line 1 8931 E. North St.  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP Tucson, AZ 85701  
 Social Security Number 200-30-4000  
 Date of Birth 06/17/1956 Phone (520) 516-5116  
 Email Address \_\_\_\_\_  
 Account Number 111R1

## PART 2. ROTH IRA CUSTODIAN

To be completed by the Roth IRA custodian

Name Bearcats Financial Organization  
 Address Line 1 641 Dodge Way  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP Tucson, AZ 85701  
 Phone (520) 555-7777 Organization Number 12345  
 This is an amendment to an existing Roth IRA.

## PART 3. CONTRIBUTION INFORMATION

Contribution Amount \$65,256.00 Contribution Date 07/28/2017

### CONTRIBUTION TYPE (Select one)

- 1. Regular (Includes catch-up contributions)  
Contribution for Tax Year \_\_\_\_\_
- 2. Rollover (Distribution from a Roth IRA or eligible employer-sponsored retirement plan that is being deposited into this Roth IRA)  
By selecting this transaction, I irrevocably designate this contribution as a rollover.
- 3. Transfer (Direct movement of assets from a Roth IRA into this Roth IRA)
- 4. Recharacterization (A taxable movement of a Traditional IRA contribution into this Roth IRA)  
By selecting this transaction, I irrevocably designate this contribution as a recharacterization.
- 5. Conversion (A taxable movement from a Traditional IRA or SIMPLE IRA into this Roth IRA)  
By selecting this transaction, I irrevocably designate this contribution as a conversion.

## PART 4. INVESTMENT AND DEPOSIT INFORMATION

### INVESTMENT INFORMATION (Complete this section as applicable.)

Investment Description	Quantity or Amount	Investment Number	Term or Maturity Date	Interest Rate

### DEPOSIT METHOD

- Cash or Check (If the contribution type is transfer, the check must be from a financial organization made payable to the custodian for this Roth IRA.)
- Internal Account  
Account Number \_\_\_\_\_ Type (e.g., checking, savings, IRA) \_\_\_\_\_
- External Account (e.g., EFT, ACH, wire) (Additional documentation may be required and fees may apply.)  
Name of Organization Sending the Assets \_\_\_\_\_ Routing Number (Optional) \_\_\_\_\_  
Account Number \_\_\_\_\_ Type (e.g., checking, savings, IRA) \_\_\_\_\_  
Deposit Taken by \_\_\_\_\_

Name of Roth IRA Owner Hank Brackett, Account Number 111R1

**PART 5. BENEFICIARY DESIGNATION**

I designate that upon my death, the assets in this account be paid to the beneficiaries named below. The interest of any beneficiary that predeceases me terminates completely, and the percentage share of any remaining beneficiaries will be increased on a pro rata basis. If no beneficiaries are named, my estate will be my beneficiary.

I elect not to designate beneficiaries at this time and understand that I may designate beneficiaries at a later date.

**PRIMARY BENEFICIARIES** (The total percentage designated must equal 100%. If more than one beneficiary is designated and no percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the Roth IRA.)

Name Johnny Reach Address \_\_\_\_\_  
Address 2543 Barris Dr Address \_\_\_\_\_  
City/State/ZIP Santa Fe, NM 87501 City/State/ZIP \_\_\_\_\_  
Date of Birth 08/23/1959 Relationship Friend Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_  
Tax ID (SSN/TIN) 400302000 Percent Designated 100.00 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_  
Name \_\_\_\_\_ Name \_\_\_\_\_  
Address \_\_\_\_\_ Address \_\_\_\_\_  
City/State/ZIP \_\_\_\_\_ City/State/ZIP \_\_\_\_\_  
Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_ Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_  
Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_ Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_

**CONTINGENT BENEFICIARIES** (The total percentage designated must equal 100%. If more than one beneficiary is designated and no percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the Roth IRA. The balance in the account will be payable to these beneficiaries if all primary beneficiaries have predeceased the Roth IRA owner.)

Name \_\_\_\_\_ Name \_\_\_\_\_  
Address \_\_\_\_\_ Address \_\_\_\_\_  
City/State/ZIP \_\_\_\_\_ City/State/ZIP \_\_\_\_\_  
Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_ Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_  
Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_ Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_  
Name \_\_\_\_\_ Name \_\_\_\_\_  
Address \_\_\_\_\_ Address \_\_\_\_\_  
City/State/ZIP \_\_\_\_\_ City/State/ZIP \_\_\_\_\_  
Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_ Date of Birth \_\_\_\_\_ Relationship \_\_\_\_\_  
Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_ Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_

Check here if additional beneficiaries are listed on an attached addendum. Total number of addendums attached to this Roth IRA \_\_\_\_\_

**PART 6. SPOUSAL CONSENT**

Spousal consent should be considered if either the trust or the residence of the Roth IRA owner is located in a community or marital property state.

**CURRENT MARITAL STATUS**

**I Am Not Married** – I understand that if I become married in the future, I should review the requirements for spousal consent.

**I Am Married** – I understand that if I choose to designate a primary beneficiary other than or in addition to my spouse, my spouse should sign below.

**CONSENT OF SPOUSE**

I am the spouse of the above-named Roth IRA owner. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Because of the important tax consequences of giving up my interest in this Roth IRA, I have been advised to see a tax professional.

I hereby relinquish any interest that I may have in this Roth IRA and consent to the beneficiary designation indicated above. I assume full responsibility for any adverse consequences that may result.

X \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_  
Signature of Spouse

X \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_  
Signature of Witness

6098 / 2400R-C (Rev. 4/2015)

**PART 7. SIGNATURES**

**Important:** Please read before signing.

I understand the eligibility requirements for the type of Roth IRA contribution I am making, and I state that I do qualify to make the contribution. I have received a copy of the Roth IRA Application, S305-RA Custodial Account Agreement, the Financial Disclosure, and the Disclosure Statement. I understand that the terms and conditions that apply to this Roth IRA are contained in this Application and the Custodial Account Agreement. I agree to be bound by those terms and conditions. Within seven days from the date I open this Roth IRA I may revoke it without penalty by mailing or delivering a written notice to the custodian.

I assume complete responsibility for

- determining that I am eligible for a Roth IRA each year I make a contribution,
- ensuring that all contributions I make are within the limits set forth by the tax laws, and
- the tax consequences of any contributions (including rollover contributions and conversions) and distributions.

X Hank Brackett 07/28/2017  
Signature of Roth IRA Owner Date (mm/dd/yyyy)

X \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_  
Signature of Witness

X \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_\_  
Signature of Custodian

Page 2 of 13  
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**ROTH  
IRA** TRANSFER REQUEST

**PART 1. RECIPIENT**

*Individual requesting the transfer*

Name (First/Mi/Last) Hank Brackett  
Date of Birth 06/17/1956 Phone (520) 516-5116  
Email Address \_\_\_\_\_  
Account Number 111R1 Suffix \_\_\_\_\_

**ACCEPTING ACCOUNT TYPE** (Select one)  
 Roth IRA  Inherited Roth IRA

**PART 2. ACCEPTING ROTH IRA TRUSTEE OR CUSTODIAN**

*To be completed by the Roth IRA trustee or custodian receiving the assets*

Name Bearcats Financial Organization  
Address Line 1 641 Dodge Way  
Address Line 2 \_\_\_\_\_  
City/State/ZIP Tucson, AZ 85701  
Phone (520) 555-7777 Organization Number 12345  
Contact Name Raoul Estaban

**PART 3. RELATIONSHIP OF RECIPIENT TO CURRENT ROTH IRA OWNER**

**RELATIONSHIP TYPE** (Select one)

- I am the current Roth IRA owner.  
 I am the former spouse of the current Roth IRA owner.  
 I am the spouse beneficiary of the original Roth IRA owner transferring assets to my own Roth IRA.  
 I am the beneficiary of the original Roth IRA owner transferring assets to an inherited Roth IRA.

**PART 4. CURRENT ROTH IRA OWNER**

Name (First/Mi/Last) Hank Brackett  
Social Security Number 200-30-4000  
Account Number 111R1 Suffix \_\_\_\_\_

**CURRENT ACCOUNT TYPE** (Select one)  
 Roth IRA  Inherited Roth IRA

**PART 5. CURRENT ROTH IRA TRUSTEE OR CUSTODIAN**

Name Stutz Financial Organization  
Address Line 1 1623 S. Prairie St.  
Address Line 2 \_\_\_\_\_  
City/State/ZIP Tucson, AZ 85701  
Phone (520) 777-5555

**PART 6. LIFE EXPECTANCY PAYMENT INSTRUCTIONS**

*To be completed if the recipient is a beneficiary receiving life expectancy payments*

**IF YOU HAVE NOT YET TAKEN YOUR REQUIRED PAYMENT FOR THIS YEAR, COMPLETE THE FOLLOWING.** (Select one)

- Distribute my life expectancy payment to me before transferring the Roth IRA assets.  
 Retain my life expectancy payment amount. I understand that I am responsible for satisfying my life expectancy payment.  
 Include the amount that represents my life expectancy payment in the transfer. I understand that I am responsible for satisfying my life expectancy payment.

Name of Recipient Hank Brackett, Account Number 111R1

**PART 7. TRANSFER INSTRUCTIONS**

**TRANSFER OPTIONS** (Select one)

**One-Time Transfer**

Transfer Amount \_\_\_\_\_ Transfer Date Immediately

Entire Roth IRA Balance  This Transfer Will Close the Current Roth IRA

**Recurring Transfer**

Transfer Amount \_\_\_\_\_ Transfer Start Date \_\_\_\_\_

Frequency (Select one)  Monthly  Quarterly  Semi-Annually  Annually  Other \_\_\_\_\_

**MAKE PAYABLE TO** (If the accepting IRA type is an inherited Roth IRA, the Name of Recipient must identify both the recipient and the original Roth IRA owner.)

Bearcats Financial Organization as  Trustee or  Custodian of  
Name of Accepting Roth IRA Trustee or Custodian  
Hank Brackett Roth IRA  
Name of Recipient

**ASSET HANDLING** (Investments identified below will be liquidated immediately unless otherwise specified in the Special Instructions section.)

Asset Description	Amount to be Transferred	Special Instructions

**PART 8. SIGNATURES**

I authorize the transfer of these Roth IRA assets and certify that all information provided by me is true and accurate. I understand that I am responsible for determining that this Roth IRA transfer qualifies under the rules that apply to such transfers and agree to comply with those rules. I assume responsibility for any consequences that may result from this transfer and I agree that the trustee or custodian is not responsible for any consequences that may arise from executing this transfer request.

The trustee or custodian signing below agrees to accept the assets being transferred.

Hank Brackett \_\_\_\_\_ 07/28/2018  
Signature of Recipient Date (mm/dd/yyyy)

\_\_\_\_\_ \_\_\_\_\_  
Notary Public/Signature Guarantee (if required by the trustee or custodian) Date (mm/dd/yyyy)

\_\_\_\_\_ \_\_\_\_\_  
Authorized Signature of Accepting Trustee or Custodian Date (mm/dd/yyyy)

CORRECTED (if checked)

TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code  BEARCATS FINANCIAL ORGANIZATION 641 DODGE WAY TUCSON, AZ 85701		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a) \$	OMB No. 1545-0747  <b>2018</b>		<b>IRA Contribution Information</b>
		2 Rollover contributions \$	Form <b>5498</b>		
TRUSTEE'S or ISSUER'S TIN 13-2457689		PARTICIPANT'S TIN 200-30-4000		4 Recharacterized contributions \$	<b>Copy B</b>  <b>For Participant</b>
		5 FMV of account \$66365.44		6 Life insurance cost included in box 1 \$	
PARTICIPANT'S name HANK BRACKETT		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input checked="" type="checkbox"/>	9 SIMPLE contributions \$		This information is being furnished to the IRS.
Street address (including apt. no.) 8931 E. NORTH ST.		8 SEP contributions \$	10 Roth IRA contributions \$		
City or town, state or province, country, and ZIP or foreign postal code TUCSON, AZ 85701		11 If checked, required minimum distribution for 2019 <input type="checkbox"/>	12a RMD date		
		12b RMD amount \$	13a Postponed/late contrib. \$		
		13b Year	13c Code		
		14a Repayments \$	14b Code		
Account number (see instructions)		15a FMV of certain specified assets \$	15b Code(s)		

Form **5498**

(keep for your records)

[www.irs.gov/Form5498](http://www.irs.gov/Form5498)

Department of the Treasury - Internal Revenue Service

# Maintaining IRA Compliance Exercise #3

## Roth IRA Application

Compliant?

No

Why or why not?

The application is not signed by the custodian.



# Maintaining IRA Compliance Exercise #3

## Roth IRA Transfer Request

Compliant?

No

Why or why not?

Though an IRA Transfer Request form is not required by the IRS, Ascensus recommends completing and retaining a transfer request signed by the accepting trustee or custodian and the IRA owner.

# Maintaining IRA Compliance Exercise #3

Form 5498

Compliant?

Yes

Why or why not?

Form 5498 shows the FMV and does not show the transfer as a reportable transaction.

# Record Retention



Federal and state law requirements apply



Sources vary on length of time



Electronic media becoming more common

# Penalties

<b>Deficiency</b>	<b>Penalty</b>
Failure to properly retain records – negligence	Secretary of Treasury may assess a civil penalty
Failure to properly retain records – willful violation	Imprisoned for a year or fined

# IRA Master Files

<b>Current Forms File</b>	Opening documents Ancillary forms
<b>Amendment File</b>	Amendment Cover letter (dated) Mailing list
<b>Withholding File</b>	Withholding elections Mailing list Dates of mailings
<b>General Correspondence File</b>	Correspondence to IRA owners Mailing list Dates of mailings
<b>CIP File</b>	Documents from IRA owner Date of receipt

# Ascensus Support

Let our experts review your IRA program with our on-site Compliance Review.

Visit Stacy at the Q&A session for more answers to your compliance questions.

# Questions?

Thank you for attending

# Maintaining IRA Compliance

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Please complete the electronic course survey for this course located on the Ascend 2019 mobile app.





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