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METRO NEWS #88
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To our clients and friends:

This is another in a series of newsletters designed to keep you clearly informed of current events in the area of retirement plans. (plus whatever other stuff I find interesting …)

Some year-end issues to address:

1. 1099 Forms are due
    a. These are used to report payouts ("distributions") to employees
    b. These forms are needed, even if the distribution was rolled over to an IRA, and, therefore, is not currently taxable
    c. If your plan is on a "platform" arrangement with a fund family – those funds will typically provide the 1099 Forms
    d. Otherwise, we can provide them for you. Let us know if you are unclear on this.
    e. 1099 Forms are due to the employee by 1/31/15, and to the IRS shortly thereafter
    f. The IRS imposes a hefty penalty for each day that these forms are late.
2. Age 70 ½ Require payouts
    a. People call this the "RMD", or "Required Minimum Distribution"
    b. If an RMD is required, it is really important that you pay out < 12/31/14!
    c. This is because the IRS could hit you with a 50% excise tax if you don't
    d. As you probably realize, the concept here is that the IRS wants you to have "taxable income"
    e. This does not apply to those who are still working past 70 ½; but if you are an owner or highly-paid person, you don't get this free pass.
    f. The amount of RMD is not very much. At the start, only about 1/27 of your account needs to be paid out. This fraction grows each year, as your life expectancy shrinks (how depressing).

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g. Note that the RMD cannot be rolled over to an IRA. For example, you can't just roll over your entire balance to an IRA, and then take the RMD from there

h. Special rules may apply for defined benefit or cash balance plans

i. If you absolutely hate the idea of RMD's, then a Roth may be for you. The Age 70 ½ rules do not apply to Roth IRA's. The strategy here is to use a Roth 401k Plan to accumulate after tax funds, and then roll this over to a Roth IRA, to avoid these RMD rules.

3. Annual Administration

   a. Assuming that your plan is on a calendar year basis, then Metro will be sending you our annual data request soon, probably as an email

   b. The more "electronic" you can be about submitting your census (i.e., spreadsheet vs. paper), the more efficient the process will be for both of us.

1. Plan Design

   a. This is a good time to reconsider whether your plan is accomplishing your corporate goals. Is it?

   b. Questions to ask yourself:

      i. Is this plan even worthwhile? (We hope so)

      ii. Is it the **best type** of plan for us? For example, should we add a 401k provision to our profit sharing plan? Should we consider a cash balance plan for higher deductions? Note that if you want a plan for 2014, it must be adopted by 12/31/14. This is ambitious at this point but possible.

      iii. Are we allocating the right amounts of Employer contribution to the right people? There are a lot of options on this.

      iv. Are the little things like eligibility, vesting, loans, hardships correct?

The common thread here is to be careful, and to please let us know if we can assist or if you have any questions. We at Metro sincerely wish you Happy Holidays and Happy/Healthy 2015! :)

PS – send me an email if you have any questions, comments, or concerns.

Best Wishes,

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