



51A Middle Street, Newburyport, MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

Course Information

Course Title: *Individual Retirement Accounts #290524*

Number of CPE credit hours recommended for this course:

In accordance with the standards of the Certified Financial Planner Board of Standards, Inc., the Institute for Divorce Financial Analysts, and the National Registry of CPE Sponsors, CPE credits have been granted based on a 50-minute hour.

CFP® 4 (Registered with the CFP Board (course ID 298405, sponsor #1008)

CDFA® 5.5 (Registered with the Institute for Divorce Financial Analysts)

CPA 5.5 (Registered with NASBA, accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Public Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE .51 PSR

Pennsylvania Board of Accountancy: PX 178025

Texas State Board of Accountancy: 009349

Course Description

In this course you will be introduced to terms and concepts used in connection with individual retirement accounts. Each new term is defined in the text and included in the Glossary. The concepts are explained and, where appropriate, are demonstrated through the use of examples.

At the conclusion of each important section, a Review Quiz is presented to test comprehension of the material presented. A response is given to each answer you select to the questions in the Review Quiz affirming the correct choice or explaining why the choice you selected was incorrect.

Course Content

Publication/Revision Date: 1/16/2024.

Course book: *IRA Update* by Paul J. Winn, CLU, ChFC

Final exam (online): Thirty-five questions (multiple-choice).

Program Delivery Method: Self-Study (NASBA QAS Self-Study/Interactive)

Subject Codes/Field of Study

CFP Board: Retirement Planning; Tax Advantaged Retirement Plans

IDFA: Investments

CPA: Specialized Knowledge

Course Level, Prerequisites, and Advance Preparation Requirements

Level: Overview. This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic familiarity with retirement plans.

Advance Preparation: None

Instructions for Taking This Course

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- To retain the course-PDF after completion (for future reference) and to enable enhanced navigation: From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- Complete the course by following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- Once you have completed studying the course and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- A passing grade of at least 70% is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Objectives

- Discuss the rules governing eligibility and permitted contribution levels for traditional and Roth IRAs.
- Explain the tax treatment of contributions to and distributions from traditional and Roth IRAs.
- Describe the benefits of tax-deferred accumulation.
- Explain the rules concerning permitted IRA investments.
- Discuss traditional and Roth IRA distribution rules.
- Explain Coverdell Education Savings Account contribution and distribution rules and their tax implications.
- Discuss the contribution and distribution rules that apply to SEP IRAs and SIMPLE IRAs.

Copyright 2003, 2006, 2010, 2017, 2022, 2024 by Paul J. Winn CLU ChFC

ALL RIGHTS RESERVED. THIS BOOK OR ANY PART THEREOF MAY NOT BE REPRODUCED IN ANY FORM OR BY ANY MEANS WITHOUT THE WRITTEN PERMISSION OF THE PUBLISHER.

All course materials relating to this course are copyrighted by Paul J. Winn CLU ChFC. Purchase of a course includes a license for one person to use the course materials. Absent specific written permission from the copyright holder, it is not permissible to distribute files containing course materials or printed versions of course materials to individuals who have not purchased the courses. It is also not permissible to make the course materials available to others over a computer network, Intranet, Internet, or any other storage, transmittal, or retrieval system. This document is designed to provide general information. It is not a substitute for professional advice in specific situations. This publication is not intended to be, and should not be construed as, legal or accounting advice which should be provided only by professional advisers.

Paul J. Winn CLU ChFC
101 Justice Grice
Williamsburg, VA 23185
(757) 253-8075
Email: pjwinn@verizon.net

Table of Contents

Course Information	ii
Learning Objectives	iv
Table of Contents	v
Chapter 1 Traditional Individual Retirement Accounts	1
Important Lesson Points.....	1
Chapter Learning Objectives	2
Background, Definition & Eligibility	2
Individual Retirement Accounts Affected by SECURE Act and Disaster Acts	3
SECURE Act IRA Contribution Changes	3
Elimination of Age Limit on Traditional IRA Contributions.....	3
Taxable Non-Tuition Fellowship and Stipend Payments Considered Compensation.....	3
Certain Foster Care Payments as Basis for Non-Deductible IRA Contribution.....	3
SECURE Act and SECURE Act 2.0 IRA Distribution Changes.....	4
Minimum Distributions Required at Age 73	5
Certain Qualified Birth or Adoption Distributions Avoid Early Distribution Penalty	5
Certain Inherited IRA Balances Must be Fully Distributed within 10 Years.....	5
Qualifying Longevity Annuity Contract Rules Changed.....	6
Annuity Periodic Payment Flexibility	6
Disaster Act IRA Distribution Changes.....	7
Premature Distribution Penalty for Emergency Distributions	8
Premature Distribution Penalty for Terminally Ill Individuals.....	8
Premature Distribution Penalty—Correcting Excess Contributions.....	8
Charitable Distributions from Individual Retirement Accounts	8
Statute of Limitations on RMD Insufficiency and Excess Contribution Penalties.....	9
Expansion of Employee Plans Compliance Resolution System	9
Traditional IRA Rules.....	9
Earned Income	10
Limits on Contributions	10
Maximum Annual Contributions	11
Traditional IRA Tax Considerations.....	11
Traditional IRA Tax Considerations—Contributions.....	12
Tax Treatment of Contributions by Active Participants.....	12
Tax Credits	15
Repeal of the Saver’s Credit.....	16
Summary	17
Review Quiz #1.....	17
Traditional IRA Tax Considerations—Accumulations.....	18
Traditional IRA Tax Considerations—Rollovers	20
Eligible Rollover Distributions.....	20
Rollover of Qualified Birth or Adoption Distributions	21
Eligible Rollover Distributions.....	22
Direct and Indirect Rollovers	22
Mandatory Withholding	22
Avoiding Rollover Withholding.....	23
Indirect Rollovers Subject to Timing and Frequency Limitations	23

EGTRRA Permits Rollover of After-Tax Contributions.....	24
Summary	24
Review Quiz #2.....	24
Distribution	25
Premature Distributions	25
Premature Distributions Avoiding Tax Penalty	26
Pro-Rata Distribution of Non-Deductible Contributions.....	26
Required Distributions during Owner’s Lifetime	27
Required Minimum Distribution Amount.....	28
Required Distributions at Owner’s Death.....	30
Death before an Owner’s Required Beginning Date Before 2020	30
Life Expectancy Rule	30
Five-Year Rule	30
Surviving Spouse’s Election.....	30
Death Before an Owner’s Required Beginning Date After 2019	31
<i>IRS Proposed Regulations – February 2022</i>	31
<i>IRS Notice 2022-53</i>	31
<i>IRS Notice 2023-54</i>	32
Eligible Designated Beneficiaries Not Limited to 10-Year Rule	32
SECURE Act 2.0 – Surviving Spouse Beneficiaries	33
<i>Uniform Lifetime vs. Single Lifetime Table</i>	33
Revised Life Expectancy – Beneficiaries’ RMD Transition Rules	33
Summary	34
Review Quiz #3.....	36
Chapter 2 Roth Individual Retirement Accounts	37
Important Lesson Points.....	37
Chapter Learning Objectives	37
Definition & Eligibility.....	38
Limits on Contributions	38
Transfer of Limited §529 funds to Roth IRAs.....	40
Roth IRA Tax Considerations.....	41
Qualified Distributions Tax-Free.....	41
Non-Qualified Distributions Receive FIFO Tax Treatment	43
Non-Qualified Gain Distributions Before 59 ½ Subject to Tax Penalty	43
No Lifetime Required Distributions	44
Roth IRA Conversions & Transfers.....	44
Roth IRA Death Benefit Distributions – Death Before 2020.....	45
Life Expectancy Rule.....	45
Five-Year Rule.....	45
Roth IRA Owner’s Death Occurring After 2019	45
Eligible Designated Beneficiaries Not Limited to 10-Year Rule	45
Summary	46
Review Quiz #4.....	48
Chapter 3 Individual Retirement Account Funding	49
Important Lesson Points.....	49
Chapter Learning Objectives	49
IRA Investment Options	49
Trust or Custodial Account IRA Funding.....	50

Prohibited IRA Investments	50
Separately-Paid Custodial Fees a Miscellaneous Itemized Deduction.....	50
Using Annuities to Fund IRAs.....	50
Non-Tax Benefit #1: Annuity Death Benefits.....	51
Non-Tax Benefit #2: Annuity Life Income	52
Annuities and the SECURE Act 2.0	52
Qualifying Longevity Annuity Contracts	52
Divorce After QLAC Purchase	53
Penalty on Partial Annuitization	53
Variable Annuity Suitability Requirements.....	54
Securities Exchange Commission Rules.....	55
Regulation Best Interest.....	55
The Disclosure Obligation.....	56
The Care Obligation	56
The Conflict of Interest Obligation	56
The Compliance Obligation	57
Effect of Regulation Best Interest.....	57
Impact of the Disclosure Obligation.....	57
Impact of the Care Obligation	58
Annuity Sales & Best Interest Obligation.....	59
Summary	59
Review Quiz #5.....	60
Chapter 4 Education IRAs (Coverdell Education Savings Accounts).....	61
Important Lesson Points.....	61
Chapter Learning Objectives	61
Definition & Eligibility.....	61
Limits on Contributions	62
Eligible ESA Beneficiaries	63
Tax Considerations	63
Tax-Free ESA Distributions	63
Qualified Education Expenses.....	64
Eligible Educational Institution.....	64
Taxation of Excess ESA Distributions	64
Summary	66
Review Quiz #6.....	67
Chapter 5 Simplified Employee Pension IRAs.....	68
Important Lesson Points.....	68
Chapter Learning Objectives	68
Introduction.....	69
New Plan Startup Cost Tax Credit.....	70
Amount of the Tax Credit.....	70
SECURE Act 2.0 Changes to the Start-Up Tax Credit.....	70
Contributions.....	71
Defined Contribution Plan Limits Apply.....	71
Certain Employees Must Be Included	72
SEP Contributions for Domestic Employees.....	72
SEP Integration Permitted	72
Employee Plan Contributions Permitted.....	73

Active Participant Rules Apply to Employee Contributions.....	74
Distributions.....	75
Regular Distributions.....	75
Premature Distributions.....	76
Required Minimum Distributions.....	76
SEP Rollovers.....	77
Summary.....	78
Review Quiz #7.....	79
Chapter 6 SIMPLE IRAs.....	80
Important Lesson Points.....	80
Chapter Learning Objectives.....	80
Definition & Eligibility.....	81
SIMPLEs Offer Less Expensive Alternative to Qualified Plans.....	81
SIMPLEs Restricted to Small Employers.....	81
SIMPLE IRA and SIMPLE 401(k) Replacements.....	82
Replacement by a 401(k) Safe Harbor Plan.....	82
SIMPLE IRA Contributions.....	82
Employee Elective Contributions.....	82
Catch-up Contributions.....	83
Increased Catch-Up Amounts at Ages 60-63.....	83
Increased catch-up amounts are indexed for inflation for years after 2025.....	83
Employer Contributions.....	83
Matching Employer Contributions.....	84
Student Loan Payments Considered Elective Deferrals.....	84
Nonelective Employer Contributions.....	84
SECURE Act 2.0 Authorizes Increased Contributions for SIMPLEs.....	84
Additional Non-Elective Contributions Permitted.....	85
Other SIMPLE Requirements.....	85
Nonrefundable Tax Credit for Lower Income Employees.....	85
Repeal of the Saver’s Credit.....	86
SIMPLE Distributions.....	86
Premature Distributions.....	86
Exceptions to Premature Distribution Tax Penalty.....	86
Required Minimum Distributions.....	87
Rollovers.....	87
Direct and Indirect Rollovers.....	88
Rollover Recipient Plan.....	88
Summary.....	88
Review Quiz #8.....	89
Glossary.....	90
Answers to Review Quizzes.....	95
Review Quiz #1.....	95
Review Quiz #2.....	96
Review Quiz #3.....	97
Review Quiz #4.....	98
Review Quiz #5.....	100
Review Quiz #6.....	101
Review Quiz #7.....	102

Review Quiz #8	104
Index.....	106