PLANCONNECTIONS

The New Standard in Plan Administration

Fourth Quarter 2012 October 1- December 31

Required Minimum Distribution (RMD)

Reminder mailings go out in October to eligible participants

PlanConnect will be mailing a letter to all eligible participants in October of 2012, to remind them it is time to take their RMD.

The federal tax rules state a participant is required to commence distribution of RMD's from a 401(a)/401(k) qualified plan, a 403(b) plan (including Roth 403(b) and Roth 401(k)), and a 457(b) plan beginning no later than April 1 of the year following the later of attainment of 70 ½ or severance from employment with the employer sponsoring the 401(a), 401(k), 403(b) or 457(b) plan.

In the case of a 5% or more owner of a for-profit business, the required beginning date is age 70 ½, regardless of work status.

RMD's must be taken annually from the affected account. Thus, if your employee delays the first withdrawal until April 1 of the following year, they will be required to withdraw two distributions that year. For example: If John Doe turns age 70 ½ on November 1, 2012 and decides to wait until April 1, 2013 to disburse his RMD, he will be required by the IRS to take two distributions in 2013, one for his 2012 RMD and one to satisfy the 2013 RMD.

If the participant does not take their RMD, the Internal Revenue Service (IRS) will impose a 50% excise tax on the amount that should have been distributed from the eligible account.

Investment Providers offer various ways to satisfy the RMD distribution. For specific questions regarding distribution options, please refer employees to their individual Financial Professionals.

PlanConnect website:

Calculator's galore

To help your employees estimate anything from their net worth to their individual savings goals, instruct them to visit planconnect.com to use our calculators. This month's featured calculator is the Maximum Contribution Calculator.

Important Dates for the Year:

January

- Universal Eligibility/Meaningful Notice e-mail to employees
- Notify employees of new contribution limits
- Advise participants to take a Required Minimum Distribution (RMD)

September

- Universal Availability/Meaningful Notice letters mailed to employees
- Yearly contribution limit review and employees at risk of exceeding the limits are notified

October

- End of year RMD reminder provided to impacted employees

ERISA Plans – At least 6 months prior to filing your Form 5500, start gathering information you'll need in order to complete the form and applicable schedules. If you're considered a large plan **(100 or more eligible participants)** this includes working with an independent auditor.

Contact Us!

If you have any questions about any of the articles you have seen here, or if you have a question or topic you would like to see addressed in future editions, please contact us toll free at (800)-923-6669 Monday-Friday from 9am to 5pm ET.

You may also email us at info@planconnect.com.

Quick Refresher for Withdrawal Eligibility

When can an employee take money from their 403(b) plan?

As the year draws to an end the common question amongst employees seems to be "Am I eligible to take my money out to cover holiday costs?" The answer from the IRS is no. Employees are only able to access their funds for the following reasons:

- Attain age 59 ½;
- Sever from employment;
- Become disabled;
- Pass away; or
- Encounter a financial hardship.

For further clarification from the IRS on the above eligibility reasons for withdrawal, please click here.

Q & A's From the IRS Website:

May an employer sponsoring a 403(b) plan exclude any employee from contributing in the plan?*

In general, yes they can. A 403(b) plan must allow all employees the opportunity to make elective deferrals to the plan, generally speaking. Under the Universal Availability Rules, if the employer allows one participant to defer compensation by contributing to a 403(b) plan, then the employer must allow this offer to all employees, with the following exceptions:

- Employees who will contribute $200 or less annually;
- Employees who participate in a 401(k) or 457(b) plan or in another 403(b) plan of the employer;
- Nonresident alien;
- Employees who normally work less than 20 hours per week; and
- Students performing services described in Code §3121(b)(10).

For more questions and answers from the IRS, please visit their website at www.IRS.gov.

*PlanConnect recommends that plans allow all employees to participate, since the administration for excluding employees can be burdensome.

Retirement Planning:

Are annuities gaining popularity?

In a recent release from Insured Retirement Institute and Cogent Research, more investors and their financial planners have come to embrace annuities as part of a well-rounded retirement plan.

New research suggests that among investors, 73% of annuity owners and 17% of would be owners, agreed that annuities form an important part of a retirement strategy. That is a significant increase over last year. In 2011, only 55% of owners and 8% of non-owners said the same thing.

Annuities are losing the titles of "old-fashioned" and "one-dimensional." And there's been more interest from investors and pre-retirees in the product, as a result: more than 70 percent of financial advisors who already use annuities reported new requests from clients to purchase annuities, and 84 percent of annuity focused advisors say their client discussions now center on retirement income than they would have, five years ago.

On the whole, investors who don't already own an annuity admitted they also knew very little about the product - less than 5 percent considered themselves very knowledgeable about annuities.

"The current economic and market volatility has resulted in more conservative investors who are increasingly searching for investment vehicles, like annuities, that can provide market growth, guaranteed income benefits and some level of principal protection," said Anthony Ferreria, Cogent Research's managing director.

"The results indicate that while more investors and advisors are open to using annuities in a balanced portfolio, the industry must work harder to address lingering concerns regarding investor perceptions, firm stability and overall commitment to providing future benefits."

View the article here.