

Retirement News for Employers

Helping Business Owners with Retirement Plans

Internal Revenue Service Tax Exempt and Government Entities

Volume 4, Spring 2007

Inside This Issue

Final 415 Regulations Published
[page 2](#)

Critical FewPoints...by Director, EP
Examinations
[page 3](#)

The Fix Is In: Common Plan
Mistakes
[page 4](#)

Subscribe to a Free IRS Newsletter
for Businesses
[page 6](#)

DOL News
[page 7](#)

Product Profile - Retirement Plans
for Small Business (SEP, SIMPLE,
and Qualified Plans)
[page 8](#)

The Filing Cabinet
[page 9](#)

Net Gains
[page 10](#)

Final Designated Roth Accounts
Under Sec. 402A Regs. Published
[page 11](#)

EP TDI Notices
[page 11](#)

Calendar of Events
and Deadlines
[page 12](#)

"Timing is Everything" Flyer
[page 13](#)

Promoting Retirement Security in America

In a speech at the Great Lakes Benefits Conference in Chicago, on May 3, 2007, Steven T. Miller, IRS Tax Exempt and Government Entities Commissioner, discussed what an aging population, a disappearing savings rate, and a continued shift from defined benefit to defined contribution plans means to how IRS "promotes and protects America's retirement security."

Mr. Miller cited some sobering trends related to retirement plans:

- Only 43 percent of private sector workers are covered by a plan, and it's estimated that only 60 percent of workers over 40 eligible to do so actually participate in a 401(k).
- Of those who do participate in a 401(k) plan, the average account balance for someone age 60 or above was \$141,000. Such a balance will support an annual annuity of \$12,203 for a male who retires at 65 and an annuity of \$11,172 for a female. Even with Social Security, this does not provide a sufficient retirement income for most individuals.
- GAO reports that only 44 percent of families nearing retirement own an IRA, and among these, the median balance was \$60,000.
- GAO notes that between 2000 and 2005 the personal savings rate was 1.3 percent, one sixth of the average since World War II. And in 2006, it was a negative 1 percent.
- Defined benefit plans have declined in number from 148,000 in 1980 to 47,000 in 2003. During the same period, defined contribution plans (such as 401(k) plans) have increased from 341,000 to 653,000.



How are we doing in establishing plans and setting aside the money to support us in our retirement? Here it is in a nutshell: We are getting old and we aren't saving.

Mr. Miller further stated, "It's estimated that 7,918 people per day turned 60 in 2006. As they retire, will they have adequate retirement income? And who will be responsible to see that they do? More and more, the answer is 'the participant'... By and large, our focus in the past has been on plans, plan sponsors, their representatives and the professional employee benefits community. We are going to continue that work, but we also need to reach out, deliberately, to plan participants, to those who have opened IRAs, and to retirees. We need to consider what we can do to provide them with practical information and education about a wide range of issues."

"The [Employee Plans office](#) at IRS has responsibility for an immense and important sector, one that is growing in both size and importance as retirement assets increase, driven by favorable tax policies, and as baby boomers move toward the exit doors of the workplace."

"Employee Plans exists to ensure that the tax expenditure in this area - \$104 billion per year - contributes to the retirement security of America's workers. EP ensures that this expenditure is consistent with Congressional intent by enforcing the rules (1) that govern participation and non-discrimination, (2) that require contributions to stay within legislated limits and be reported accurately, (3) that require contributions to be appropriately applied to provide retirement benefits for participants, and (4) that require assets to remain in [a] retirement solution."

The Retirement Plans Community web page has information for our three customer groups, [Benefits Practitioners](#), [Plan Participants/Employees](#) and [Plan Sponsors/Employers](#). We continue to add new information to our web page. We welcome your input on how we can better improve our web page and make it more useful to our users in "Promoting Retirement Security in America." Please submit your comments to RetirementPlanComments@irs.gov.

Visit the [Retirement Plans Community web page](#) to view a full transcript of [Mr. Miller's speech](#). ■

Final 415 Regulations Published

[Final Income Tax Regulations under section 415](#) of the Internal Revenue Code were published on April 5, 2007. These regulations provide an extensive update of the regulations under section 415 of the Internal Revenue Code that were originally issued in 1981 regarding limitations on benefits and contributions under qualified plans and certain other retirement plans. Generally, these regulations apply to limitation years beginning on or after July 1, 2007.

For a brief overview of the material addressed in the regulations see the [April 2007 Special Edition](#) of the *Employee Plans News*. ■

Examples of errors in prior submissions include the following:

- Missing basic information, such as a plan name, plan number or employer identification number;
- Changing the Appendix F format that eliminates key sections;
- Plan sponsor's representatives erroneously signing the "Plan Sponsor's Representations" section of the Appendix F instead of the plan sponsors;
- Failing to include copies of the signed plan amendments adopted to correct the failure;
- Incorrectly completing and signing Forms 2848 (Power of Attorney and Declaration of Representative) or 8821 (Tax Information Authorization);
- Failing to include a copy of the most recently filed Form 5500-series returns;
- Submitting Appendix F on either the plan sponsor's or power of attorney's letterhead.

It is expected that the submission follow the format provided under Appendix F without modification. It is also critical that the Appendix F be properly completed and that information requested under Appendix F be provided. Incomplete submissions may be returned to the applicant without further review. These errors can be easily prevented!

Making Sure It Doesn't Happen Again

Employers need to have a system in place to ensure that their plan is timely amended for all new laws. A review of all current law changes should be made annually. Law changes and their compliance dates are widely advertised in government and practitioner publications.

However, keep in mind that, despite all of your good efforts, mistakes can happen. In that case, the IRS can help you correct the problem and retain the benefits of your qualified plan. ■

Subscribe to a *FREE* IRS Newsletter for Businesses

The IRS has started a *FREE*, news service, *e-News for Small Businesses*. Distributed every Wednesday, it brings timely, useful tax information right to your computer, including, but not limited to:

- Important, upcoming tax dates
- What's new on the IRS web site
- Reminders and tips to assist businesses with tax compliance
- IRS News Releases and special IRS announcements.

e-News' convenient format will put IRS tax information at your fingertips. "Useful Links" brings you quickly to some of the most useful information on IRS.gov for large and small businesses and the self-employed.

To start your *FREE* subscription to *e-News*, just go to the [Subscribe to e-news for Small Businesses web page](#) on [IRS.gov](#), type in your e-mail address and submit. ■

Upcoming Compliance Assistance Events

- Choosing a Retirement Solution for Your Small Business: Boston, MA on June 14; Fort Snelling, MN on June 26.
- Voluntary Fiduciary Correction Program Workshops: Pasadena, CA on May 24; Avenal, NJ on May 24; Birmingham, AL on June 29; and Orlando, FL on August 2.
- Uniformed Services Employment and Reemployment Rights Act (USERRA) Workshop in Fort Snelling, MN on June 26.

Visit DOL/EBSA's web site at www.dol.gov/ebsa for the registration brochure for these seminars and for the announcement of additional seminars around the country. ■

Product Profile - *Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)*

Are you looking for a plain-language explanation of the main terms and rules of retirement plans? Do you want to find the latest retirement plan information for 2006 and 2007 in one convenient place? **Publication 560**, *Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)* will provide you with this information and more. It will help you understand the basic differences between Simplified Employee Pensions (SEPs), SIMPLE IRAs and Qualified Plans (i.e., profit-sharing, 401(k) and defined benefit plans).

Publication 560 answers basic questions such as:

- How do I set up a plan?
- How much can I contribute?
- How much of my contribution is deductible?
- When and where are contributions deducted?
- How do I treat certain distributions?
- How do I report plan information to my employees and the IRS?

The publication also provides an easy-to-follow worksheet to assist self-employed individuals in determining the maximum deductible contribution that can be made to their own plan and resources for free tax help. Check it out! ■



Net Gains

Welcome back to *Net Gains*, the column devoted to providing you with the latest **Retirement Plans Community web page** information. This portion of the **IRS web site** contains almost everything you want to know about retirement plans but didn't know where to find it.

More New FAQs

In the Fall edition of the *Retirement News for Employers* we told you about our new FAQs regarding [Loans](#), [Hardship Distributions](#) and [Plan Investments](#). We have recently added more FAQs regarding [Notices from IRS \(CP 403 and CP 406 Notices\) - Delinquency Notices](#) (see related article on page 11). Check out these and our other [Frequently Asked Questions](#).

New Online Check-up

[403\(b\) Checklist](#) (Pub 4546) is now available online. This new checklist highlights the top 10 compliance issues occurring in 403(b) plans and is designed to bring awareness of these issues to plan sponsors. When viewed online, the *403(b) Checklist* has terms hyperlinked to take users to a much more in-depth discussion of the issue.

Small Business Products Available

The online version of the [2007 Tax Calendar for Small Businesses and Self-Employed](#) is filled with useful information on general business taxes, IRS and SSA customer assistance, electronic filing and paying options, retirement plans, business publications and forms, common tax filing dates, and Federal legal holidays.

The [2007 Small Business Resource Guide](#) (SBRG) CD-ROM is now available. This handy, interactive CD is designed to equip small business owners with the skills and knowledge needed to successfully manage a business. The CD covers a wide range of topics, from starting a business to retirement plan options.

Resources for Retirement Plan Participant/Employee

The lead story in this edition of the *Retirement News for Employers* dealt with Commissioner Miller's call to provide practical information to plan participants to educate them about their retirement. Did you know that we have a web page dedicated to providing [Resources for Retirement Plan Participants/Employees](#)? This page has links to forms and IRS and DOL publications dealing with retirement issues. Take a look! ■

How to Subscribe to *Retirement News for Employers*

The *Retirement News for Employers* will be issued only through IRS e-mail. For your free subscription, please go to the [Retirement Plans Community web page](#) and subscribe online by selecting "Newsletters" under "Retirement Plan Community Topics." All editions of the *Retirement News for Employers* are archived there.

For your convenience, we have included Internet links to referenced materials throughout the *Retirement News for Employers*. These links are identified by the blue and underlined text. ■

