

Rosen Seymour Shapss Martin & Company LLP
Certified Public Accountants & Profitability Consultants

*Employee Benefits and Executive Compensation Services
Group*

FINAL REMINDER

END OF YEAR - 2011

Dear Client and Friends of the Firm:

BY THE END OF 2011

The Consequences of Not Taking Your Required Minimum Distribution are Severe

Any individual who is covered by a qualified retirement, IRA, SEP or SIMPLE plan who is age 70-1/2 or older at the end of the year, **MUST** take a required minimum distribution ("RMD") from their plan for 2011 by the end of the year. The only exception is an active participant in a qualified plan who is not a 5% or greater owner in the plan sponsor. For those individuals who attained age 70-1/2 during 2011, they can delay the initial distribution to April 1st of next year; such a delay will require the individual to take two required minimum distributions in 2012, one for 2011 and one for 2012. Failure to take the RMD on time will result in a severe penalty equal to 50% of the required distribution that was not taken. That penalty is on top of any taxes resulting from the distributions.

NOW is the time to make sure the correct required minimum distribution has been taken. If a partial or inaccurate distribution was taken, the penalty will apply to that part of the distribution that was not taken or incorrect. Overlooking or forgetting is not an excuse. The distribution must be taken by the end of the year.

Revisit your Beneficiary Designations

Many of us make our beneficiary designations on various benefit plan documents when we are first employed and never think about changing them. Life, however, changes - births, deaths, marriages, divorces, law changes, etc. Our original beneficiary designations may no longer be appropriate or wanted under changing circumstances. Even if we periodically review our finances and estate plan, we may easily overlook designations made on benefit forms long forgotten. Start the New Year right, review your documents and make the necessary changes.

Inherited IRAs with more than one beneficiary

Generally, where there is more than one beneficiary to an inherited IRA and the IRA owner was OLDER than any of the beneficiaries, the balance in the IRA account must be paid to the beneficiaries over the remaining life expectancy of the OLDEST designated beneficiary, i.e., the shortest amount of time. If there is a substantial difference in the ages of the beneficiaries, this may not be desirable for the younger beneficiaries. But if the beneficiaries split up the inherited IRA into separate accounts, the RMD rules will apply to each account individually. The inherited IRA must be split into separate accounts no later than the end of the year following the year of the death of the original IRA owner.

Charitable Contributions can still be made directly from IRAs

Beginning in 2008, an IRA owner, age 70-1/2 and over, could transfer tax-free up to \$100,000 annually to a charitable organization. The provision was extended by various pieces of legislation through the end of 2011. Direct transfers from IRA accounts to charities are not included as either income or an itemized deduction by the IRA owner. The transfers must be made by the end of the year.

Review your Flex Spending Accounts

Flex spending accounts afford employees a means to pay for certain out-of-pocket medical or dependent care expenses with pre-tax dollars. They have been very popular. The downside is that the funds so designated must be used by the end of the year, or in some cases, by March 15th of the following year.

In addition to using your 2011 funds, you must now try to estimate your 2012 expenses. Your estimate will determine how much will be withheld from your salary to fund your 2012 flex spending account. You must make your determination by the end of the year.

It is not too late to set up a Pension Plan for 2011

There is still time to set up a qualified pension plan and make a contribution for 2011. The contribution need not be made until you file your 2011 tax return in 2012. In order to take advantage of the tax deduction, the plan needs to be established by the end of the year.

If you have any questions, please feel free to contact me at 212-303-1806 or e-mail me at aneumark@rssmcpa.com.

Sincerely,

Avery E. Neumark, CPA, JD
Partner-in-Charge of Employee Benefits and Executive Compensation

Rosen Seymour Shapss Martin & Company LLP

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