Pension Fund of the Christian Church

PENSION FUND IRA OWNER RESPONSIBILITIES

Eligible employees and their spouses can establish a Traditional IRA and/or a Roth IRA with Pension Fund. Pension Fund IRAs offer many unique advantages that differentiate them from other IRA products available to the public. However, the IRS rules that govern Pension Fund IRAs and commercial IRAs are the same.

This checklist is intended to assist you in understanding your tax responsibilities and potential tax liabilities as either an IRA owner or a beneficiary of a Pension Fund IRA. NOTE: Since IRA beneficiaries are not permitted to make contributions to an inherited IRA, their tax responsibilities are limited to the items listed below that relate to IRA distributions. For additional information, including current year IRS limits, please refer to the *Traditional IRA Owner Resource Book* and the *Roth IRA Owner Resource Book*, as applicable, which are available at www.pensionfund.org.

Pension Fund cannot provide IRA owners or beneficiaries with tax advice. You are encouraged to consult with your tax advisor to determine questions unique to your personal situation.

AS A PENSION FUND IRA OWNER OR BENEFICIARY, YOU ARE RESPONSIBLE FOR . . .

- ✓ **Monitoring your general IRA contribution limit.** The IRS limits the contributions you can make to a Traditional IRA and Roth IRA for a calendar year. For this purpose, you must include the regular contributions you make to all Traditional IRAs and Roth IRAs that you maintain (whether or not they are maintained with Pension Fund). Rollover contributions, transfers, and conversions do not count against this limit. If your contributions exceed the annual limit, you are required to withdraw the excess contribution plus earnings before the due date for your tax return (including extensions). You will be subject to a 6% tax on any excess contributions that are not timely withdrawn.

- ✓ **Determining your Roth IRA contribution limit.** The amount that you can contribute to a Roth IRA may be less than the general IRA contribution limit (or even $0) based on your federal income tax filing status and your modified adjusted gross income. Generally, higher income earners are restricted or prohibited from making Roth IRA contributions. Rollover contributions, transfers, and conversions to a Roth IRA are permitted regardless of your filing status and income.

- ✓ **Determining your deductible contribution limit to a Traditional IRA.** The amount of deductible contributions you can make to a Traditional IRA is limited based on your federal income tax filing status, modified adjusted gross income, and whether you (and your spouse, if applicable) participate in an employer retirement plan, such as the TDRA or Pension Plan. It is your responsibility to determine this amount.

- ✓ **Designating your nondeductible contributions to a Traditional IRA.** Your contributions to a Traditional IRA that exceed your deductible limit are nondeductible contributions. To designate contributions as nondeductible, you must file Form 8606 when you file your tax return. If you fail to report nondeductible contributions, all of the contributions to your Traditional IRA will be treated like deductible contributions when withdrawn, which may result in double taxation.

- ✓ **Tracking your basis in your Traditional IRA.** You will have a cost basis in your Traditional IRA if you make any nondeductible contributions or roll over after-tax amounts from a retirement plan to your IRA. It is your responsibility to keep a record of nondeductible IRA contributions and rollovers of after-tax amounts for accurate tax reporting of distributions. When you receive a distribution from a

Traditional IRA that includes nontaxable amounts, you must use Form 8606 to figure out what portion of the distribution is tax-free.

- ✓ **Paying all taxes, and ensuring appropriate withholding, related to IRA distributions.** The taxable portion of a distribution from an IRA is subject to regular income tax and is also subject to a 10% penalty tax if you are under age 59½, unless an exception applies. See *IRS Publication 590-B* for information on exceptions to this penalty tax. You are solely responsible for the payment of these taxes. Pension Fund will withhold 10% on distributions made to you from a Traditional IRA, and 10% on the earnings distributed to you from a Roth IRA unless the distribution is qualified. You may instead elect no withholding or a different percentage withholding by completing IRS Form W-4R, *Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions.* It is your responsibility to ensure adequate withholding for your expected tax liability, or to make payment of estimated taxes, in order to avoid an underpayment penalty from the IRS.

- ✓ **Tracking your 5-taxable year period for your Roth IRA.** You will not pay tax on the earnings related to a qualified distribution from your Roth IRA. A "qualified distribution" is any payment from your Roth IRA that is made (i) after the 5-taxable year period beginning with the first tax year for which a contribution was made to a Roth IRA in your name and (ii) after you have reached age 59½, become disabled, died, or qualify under an IRS exception for first time home buyers. In determining whether you satisfy the 5-taxable year period, Pension Fund will only have information about your Pension Fund Roth IRAs. However, you can consider the earliest Roth IRA that you established to determine whether you have met this requirement.

- ✓ **Taking required minimum distributions on time.** The IRS requires that IRA owners begin receiving minimum distributions (RMDs) each year from their Traditional IRA beginning no later than April 1 of the calendar year following the year they turn age 73. The IRS also requires that IRA beneficiaries receive RMDs from inherited IRAs (whether Traditional or Roth) within certain timeframes depending on their relationship to the deceased IRA owner. To assist with this requirement, Pension Fund will automatically make RMD payments to IRA owners who are age 73 or older (and to IRA beneficiaries in the year following death, if an annual RMD is required) each November unless an IRA owner (or beneficiary) makes a different distribution election. However, it is your responsibility to ensure that you have satisfied the RMD requirements with respect to all of your IRAs. If you do not receive a distribution that satisfies these minimum requirements, you may be subject to a significant tax penalty on the amount that you should have, but did not, receive. Note that IRA owners are not required to take RMDs from their Roth IRA during their lifetime.

- ✓ **Accurately report your qualified charitable distributions.** A qualified charitable distribution (QCD) is an otherwise taxable distribution from an IRA that is paid directly to a qualified charity. You may take a QCD from your IRA if you are at least age 70½, and the amount can be used to satisfy your annual RMD. Pension Fund will report a QCD on Form 1099-R, like any other IRA distribution. To ensure accurate tax treatment, you are responsible for reporting the QCD on Form 1040 and, in certain cases, on Form 8606.

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