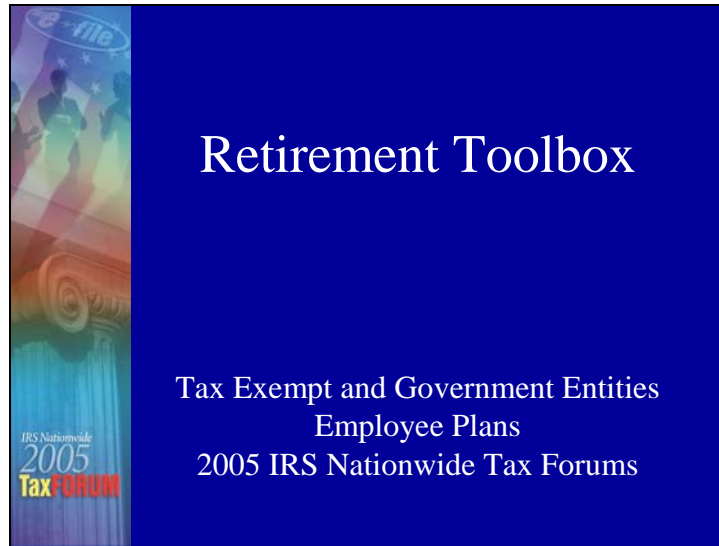


Slide 1



Good morning/afternoon.

Introduce yourself and provide your qualifications for speaking.

Thank you for attending this session on Employee Plans' Retirement Toolbox.

Did you know that in 1999, 58% of all private wage and salary workers were employed by firms that sponsored pension plans?

However, of the 40 million people employed by businesses with 100 or fewer employees, only 8 million are covered by a pension plan, that's only 20%.

The average amount paid monthly by Social Security in the form of a benefit is around \$830. Can someone live on \$830 a month with no additional income?

Social Security was never intended to be the only form of retirement benefit. It was meant as a supplement. In many cases, it has become the sole source of income after retirement.

Small Businesses need to set up retirement plans and they need to keep those retirement plans in compliance with the law so the money will be there for retirement.

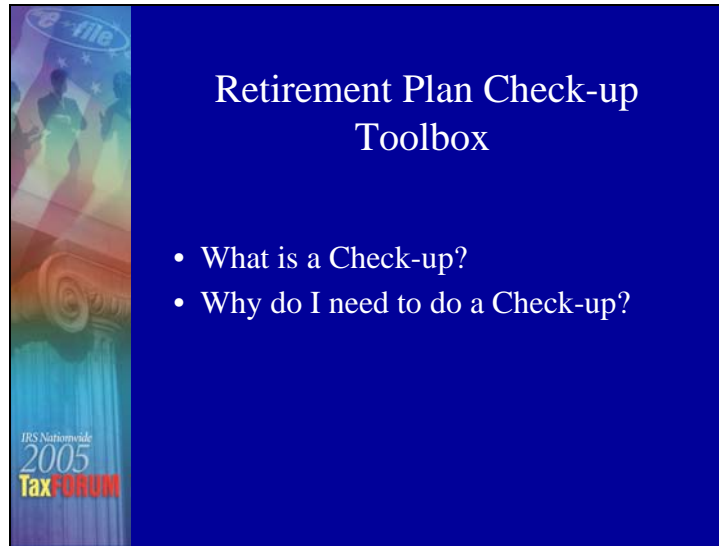
This session features information geared toward helping small business owners keep their retirement plans operating properly by conducting “Check-ups” of their plans. Just like doing routine check-ups on your vehicle keeps it reliable and safe, your clients want the same type of safety and reliability for themselves and their employees through their business’s retirement plan.

Unfortunately, doing a check-up on a retirement plan is not as easy as going to a mechanic and having them hook the plan up to a computer and doing a diagnostic test or following the owner’s manual and sticking to the mileage maintenance plan. A retirement plan needs regular attention and care to keep it operating well.

This presentation deals with “Check-ups” for IRA-based plans which are fully developed and posted to our web page. However, we are developing additional “check-ups” for other types of plans including 401(k) and 403(b) plans. We will provide you with helpful Tools, Tips and Resources including web-based information that will assist you and your clients in conducting a “Check-up” on their retirement plan.

We will also provide you with contact information if you should have questions.

At the end of this presentation, you will be better able to assist your clients in keeping their retirement plan humming along like a well-oiled machine.



What is a “Check-up?”

Since plans need regular attention to keep them running well, we have developed various tools to help you or your clients perform a “Check-up” to ensure their retirement plans are operating properly.

"Check-ups" are available on our Retirement Plans Community web page, www.irs.gov/ep, and were developed to help business owners who sponsor IRA-based retirement plans (SIMPLE IRA plans, SEPs or SARSEPs) develop a better understanding of the requirements for their plans.

"Check-ups" involve a three-step approach with the goal of increasing awareness by business owners of the need to properly operate their retirement plans, pointing them to further information and services. The centerpiece of each "Check-up" is a one-page “Checklist” highlighting some of the basic requirements for operating the plan.

Why do your clients need to do a “Check-up” of their IRA-based plan?

Taking a retirement plan check-up now will save your clients and their businesses time, paperwork and money by:

- minimizing research and paperwork
- minimizing the extent of mistakes, and
- fixing mistakes themselves.

Your clients will minimize research and paperwork because the information for conducting a “Check-up” of their IRA-based plan is located in one convenient location on the Retirement Plans Community web page, www.irs.gov/ep. The publications and instructions to maintain a plan have already been developed. It is kind of like an electronic folder that holds all the information your clients need to know about their IRA-based plan. We have developed checklists and frequently asked questions that you and your clients can use to ensure their plan is in compliance.

The “Check-ups” will minimize the extent of mistakes. By reviewing our conveniently located material and suggesting its use to your clients, you and your clients will be aware of the areas where the most mistakes are made when maintaining an IRA-based plan. This will help you and your clients avoid or catch mistakes before they get worse.

The “Check-ups” provide information to fix the mistakes in your own IRA-based plan or those of your clients. In many instances, the correction can be made with no IRS contact. However, if you must come to the IRS for correction, we provide you with all the information you will need to navigate our Correction Program.

Information on the benefits of a “Check-up” is available in a publication that you can distribute to customers and is reproduced in your binder. It is Publication

4405, Have you had your Check-up this year? for SIMPLE IRAs, SEPs, and Similar Retirement Plans.

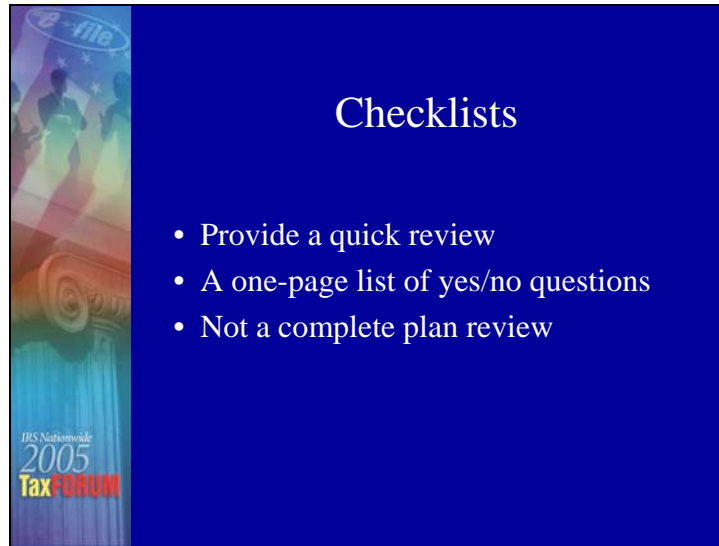
The information is also available on our web page by clicking on Information for Benefits Practitioner or Plan Sponsor/Employer and selecting Check-Up for Your SIMPLE IRA, SEP or Similar Plan.

...bottom line, a check-up today makes for a more secure tomorrow.



Each "Check-up" includes:

- A checklist for a quick review highlighting some of the basic operational questions for each of three IRA-based plans: SIMPLE IRA Plan Checklist, SEP Checklist or SARSEP Checklist. The checklists come in paper and online versions. The online checklists include hyperlinks to expanded explanations for key terms in each question.
- Tips, Publications and Forms for the operation of a retirement plan that help ensure that the plan is in good running order.
- Help - through IRS Programs. The IRS has helpful correction programs that provide incentives for finding and correcting mistakes earlier rather than later. After reviewing the plan and completing the appropriate checklist, an employer may find an error in the plan's operation. The employer may want to correct the error using one of the IRS correction programs.



If you look at page 2 of this session in your handbook, you will see information regarding checklists.

"Checklists" are available to help business owners who sponsor IRA-based retirement plans (SIMPLE IRA plans, SEPs or SARSEPs) develop a better understanding of the requirements for their plans.

A "Checklist" is a one-page list of questions highlighting some of the basic requirements for operating the plan. It is available in a paper and online version.

It provides a quick review to see if some basic requirements in operating a retirement plan have been met. It is a quick and easy to use one-page listing of 10 questions for a specific plan. It does not cover all plan requirements and is not intended to be used as a complete plan review of the plan.

If you look at the Sample Checklist Questions in your handbook, you can see that they are in a simple yes or no format.

Checklists are a convenient tool because you can complete them yourself for your own plan, use them when looking at a client's IRA-based plan or simply give them to your clients to enable them to do a quick review of their plan in order to determine if a more complete review would be necessary.

PLEASE Do Not File the Checklists with the IRS. The "Check-up" tools are designed for voluntary use. While they are not comprehensive, they highlight issues where our examiners and specialists have found mistakes in plans and questions that customers call into our assistance lines.

An electronic version of each IRA-based plan Checklist is available on the IRS web page, www.irs.gov/ep, with links that provide expanded explanations for key terms in each question.

The expanded version of the checklist that is available on the net is a wonderful tool.

The SEP Checklist not only contains questions but has hyperlinks to explanations so that the questions are answered correctly. It won't do any good to answer the questions if you don't understand the terminology or think you do, but don't.

For example, the first question on the SEP checklist is:

Are all eligible employees participating in the SEP?

May seem a simple enough question but you would be amazed at how many times this is a problem. For a SEP there can be an age requirement of 21, but folks are not checking the box on the form that makes it a requirement before being eligible. Result, folks are not being included that need to be and the entire deduction is at risk if not corrected. But let's assume that the age requirement is correctly noted on the form or prototype document as is the 3 out of 5 years of

employment and the \$450 income for the current year. Now your client is a small business that hires a lot of college kids. For the past few years they've had Eric working a few weeks in the summer, not many hours since he spends time on vacation too. This year he's 21 and very excited but the new "status" cost so he works more...he goes over the \$450 in compensation minimum in the SEP and has worked for the last 3 summers. Would your client remember that Eric has to get a portion of the contribution to the SEP? And maybe not just Eric! If not, the answer to this question would be important but your client needs to understand the question for the checklist to help.

Sticking with the SEP checklist, question 6 asks:

Are SEP contributions to each employee's IRA limited as required by law?

The lesser of 25% of compensation limit or \$41,000 (2004) or \$42,000 (2005). What if your client is self-employed...do they realize the limit is really only 20% of compensation due to the adjustment for the pension contribution to their income? If they need more help on this calculation they can get Pub 560 and work through the worksheet. But again, they need to be aware of the potential problem or understand the checklist question.

One more question on the SEP checklist that I'd like to address. Question 9: Have you deposited employer contributions timely?

Contributions can be made as late as the due date, including extensions, of their tax return in order to get the deduction. So let's say your tax year is the fiscal year ending June 30 and your SEP is the calendar year. You deduct SEP contributions made for the calendar year 2004 (including contributions made in 2004 before July 1, 2004) on your tax return for your tax year ending June 30, 2005. It just rolls the 12 month period forward each year. If your client is a sole proprietor whose tax year is the calendar year, they will deduct the SEP

contributions for the calendar year 2004 (including contributions made in 2005 by April 15, 2005) on their tax return for the tax year ending December 31, 2004. So the question is did they do this correctly?

Now for a SIMPLE IRA plan questions 8, 9 and 10 can be tricky (not that the others aren't but these are the ones we want to highlight).

8 – Have you deposited employee deferrals timely?

Ok, now we've changed gears, in a SIMPLE plan there are employee contributions. Like a 401(k) plan an eligible employee (keep in mind an eligible employee in a SIMPLE is not the same as in a SEP) can defer income that will not be currently taxable. The amount deferred must be contributed to the employee's IRA no later than 30 days following the end of the month in which the employee would have received it otherwise. In other words, the money is the employee's, it can't be used for other purposes and then contributed later. If an employee gets paid in July then the contributions to the IRA attributable to that pay must get in the IRA before August 30th.

9 – Have you deposited employer contributions timely?

For a SIMPLE this would be the matching contributions. Unlike a SEP these are not discretionary, if the employee defers income, the employer must match based on the schedule they elected in the initial document. The only difference is they have until the tax filing deadline to get the match in the accounts.

10 – Are employee deferrals to SIMPLE IRAs limited as required by law?

For 2004 the limit was \$9,000 for 2005 it is \$10,000. It's the employer's deduction hanging in the balance if too much is contributed and not withdrawn soon enough. The limits most people see are the 401(k) limits and these limits are lower...so make sure your clients know what the limits for the type of plan they have are!

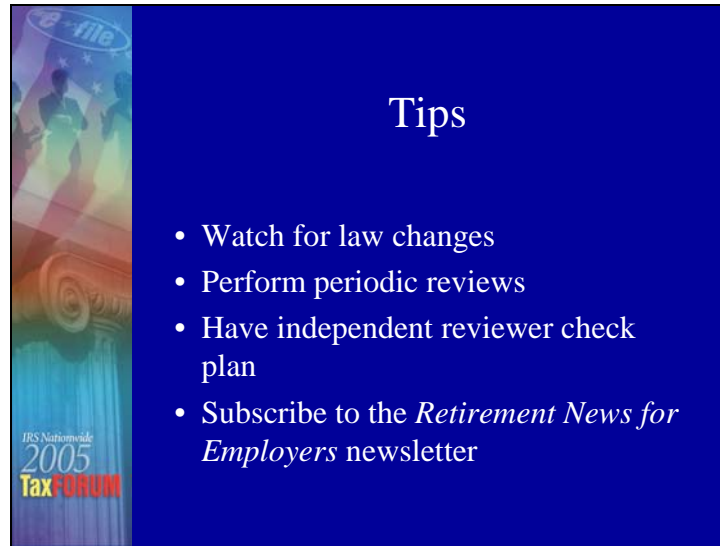
You will also find, for example, that the expanded definition of eligible employee for a SIMPLE IRA Plan explains that individuals cannot be required to attain a certain age or earn a certain number of hours of service to become eligible. Since other types of plans often require a minimum age and service requirement, this is an error many employers make.

You will also find info on how to fill out the W-2 in regard to contributions on the expanded checklist online.

Answering “yes” to all 10 checklist questions may indicate that the plan is in good shape.

Answering “no” to any 1 of the 10 checklist questions lets you know on the spot that there may be a mistake in the operation of the plan.

Keep in mind, garbage in, garbage out...the checklist is only as good as the person answering its understanding is. Make sure they use the hyperlinks to help provide the most accurate answers. The checklist are the most valuable tool in the Retirement Toolbox but the person filling it out needs to be educated on the terms and use the correct checklist!



Tips

- Watch for law changes
- Perform periodic reviews
- Have independent reviewer check plan
- Subscribe to the *Retirement News for Employers* newsletter

Your clients and their employees expect a retirement plan to deliver what's promised.

Use these tips and resources to help ensure that the plan your clients and their employees count on is in good running order.

Watch for law changes. Keep the plan up-to-date with the law. Those who specialize in retirement programs may provide auditing and plan review services. For example in an on-going examination program of SIMPLE IRA plans, we are finding a significant number of plans have not been amended for a law change called EGTRRA. SIMPLE IRA Plans needed to be amended for EGTRRA by adopting the Rev. March, 2002 IRS model Forms 5304 or 5305-SIMPLE by 12/31/2002 or the approved EGTRRA plan of the prototype plan sponsor by the required due date for prototype plans. Failure to do so has caused these plans to be considered non-amenders. This issue is not addressed on the checklists, but has been determined to be a significant issue that you need to be aware of. You should also be aware that we are beginning an examination program of SEP plans. They also needed to be amended for EGTRRA by the same date. We

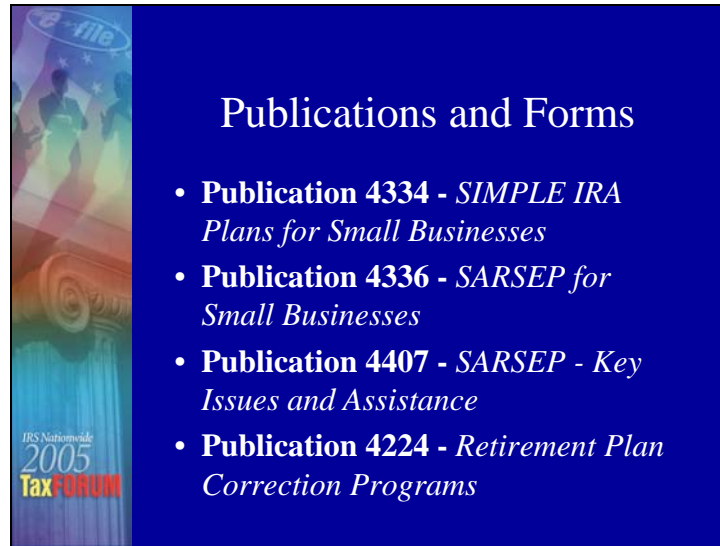
are assuming that we will find the same significant number of non-amenders in our examination of these plans.

Perform periodic reviews of the plan. Errors in a plan brought on by changes in your client's work force and its salary deferral patterns are easier and cheaper to fix when they are small and have not been allowed to continue over a long period of time. Changes in your client's business may produce unexpected changes in their plan's operation.

Get an independent reviewer to check your plan. An independent reviewer may see something that has been overlooked by others, which could save your clients and their employees' money, and may improve benefits.

Subscribe to the Retirement News for Employers newsletter. This quarterly publication provides plain-language information about retirement plans. For example, this newsletter will communicate information about deadlines such as the deadline that I just talked about for plans to amend for law changes. In addition, the newsletter will contain articles about issues that we are seeing in our examination program. To subscribe, go to www.irs.gov/ep and select Newsletters.

The Tips area of the "Check-up" also includes an area of frequently asked questions that sometimes explain complicated items in easy-to-understand language. Many of these FAQs are items that come up but are not easily found in the publications.



Publications and Forms

- **Publication 4334** - *SIMPLE IRA Plans for Small Businesses*
- **Publication 4336** - *SARSEP for Small Businesses*
- **Publication 4407** - *SARSEP - Key Issues and Assistance*
- **Publication 4224** - *Retirement Plan Correction Programs*

The Retirement Plans web page has all the publications and forms your clients will need to maintain their retirement plans in one convenient listing.

Of course, as noted in your handbook, we have the old stand-bys, Publication 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans) and Publication 590, Individual Retirement Arrangements (IRAs) which have been around for years. These publications have a wealth of information regarding IRAs, both Traditional and ROTH, SEPs, SIMPLEs and other small employer plans and are updated annually.

In addition, we have recently developed some new publications including the Checklists. We continue to develop more publications to assist you and your clients in maintaining IRA-based and other retirement plans. Other recently released publications in our Toolbox include:

Publication 4405 - Have you had your Check-up this year? for SIMPLE IRAs, SEPs, and Similar Retirement Plans – This is the information in your handbook.

Publication 4334 - SIMPLE IRA Plans for Small Businesses

Publication 4336 - SARSEP for Small Businesses

Publication 4407 - SARSEP - Key Issues and Assistance

Publication 4224 - Retirement Plan Correction Programs

A SEP Publication is in the works, so keep tuned to our web page.

We also have posted to our web page the various forms and instructions needed to maintain an IRA-based plan, which include IRS pre-approved plan documents for SEP and SIMPLE IRA Plans:

- Form 5304-SIMPLE - Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)-Not for Use With a Designated Financial Institution
- Form 5305-SIMPLE - Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)-for Use With a Designated Financial Institution
- Form 5305-SEP - Simplified Employee Pension – Individual Retirement Accounts Contribution Agreement
- Form 8881 - Credit for Small Employer Pension Plan Startup Costs

Other forms and instructions posted include:

- Forms used for pension distributions, i.e. Forms 945 and 1099-R
- Forms 5330 for Excise Taxes, if applicable and
- Form 990-T for UBI, if applicable

All these publications and forms are available on our web page, www.irs.gov/ep, or by phone at (800) TAX-FORM (829-3676).

Your feedback on our publications and ideas for new publications can be provided to us by e-mailing us at RetirementPlanComments@irs.gov.



Need to make a Correction?

IRS Correction Programs:

- Self-Correction Program
- Voluntary Correction Program
- Audit Closing Agreement Program

The IRS has helpful correction programs that provide incentives for finding and correcting mistakes earlier rather than later. After reviewing the plan and completing the appropriate checklist, an employer may find an error in the plan's operation. The employer may want to correct the error using one of the IRS correction programs.

Reviewing the Checklist questions for your client's plan could help them avoid common errors in the operation of their retirement plan.

The IRS frequently finds the following mistakes in retirement plan examinations:

- not covering the proper employees
- not giving employees required information
- not depositing employee deferrals timely
- not depositing employer contributions timely
- not limiting employee deferrals and employer contributions to the proper maximum limits

Mistakes don't go away by themselves. The IRS has helpful correction programs that are structured to provide financial incentives for finding and correcting mistakes earlier rather than later. In fact, many mistakes can be corrected easily, without penalty and without notifying the IRS.

The IRS system of retirement plan correction programs, the Employee Plans Compliance Resolution System (EPCRS), helps business owners protect participant benefits and keep their plans within the law.

EPCRS includes:

- Self-Correction Program (SCP) - With this program, you or your client can find and correct a mistake before an examination. It will cost less if you find the error and fix it. A problem found within two years of when it first occurred can often be self-corrected. If an error has continued for longer than 2 years, your client may have to pay a fee.
- Voluntary Correction Program (VCP) - You may correct the plan's mistakes with help from the IRS. The fee for IRA-based plans is \$500.
- Audit Closing Agreement Program (Audit CAP) - If the IRS examines the plan and finds an error, the problem can still be corrected. The fee will be larger than if you or your client had found and fixed the error under the Self-Correction Program or the Voluntary Correction Program.



Further Assistance Available -
Newsletters

- *Employee Plans News*
 - Geared toward practitioner community
- *Retirement News for Employers*
 - Geared toward the plan sponsor

Have you ever felt that you just do not have the time to do the research and find out what is new in the Retirement Plans Community? Well, we publish two free quarterly newsletters that are geared toward keeping you in the loop. Both newsletters are posted on our website in PDF format.

The first is the Employee Plans News. This newsletter is geared toward the practitioner community and is more technical in nature. Highlights of the newsletter include:

- Latest information on law and regulation changes, new Revenue Procedures, Revenue Rulings, etc.
- Interviews with TE/GE Executives
- DOL and PBGC Insights
- Updates on EP Examinations, Determination Letter and Voluntary Compliance Programs
- Information on benefit conferences
- “Critical FewPoints...by Michael Julianelle” – a new regular article in editions of the Employee Plans News provides the EP examinations Director’s viewpoint of the “Critical FewPoints” that

are vital to the success of EP Examinations and TE/GE as a whole. The “Critical FewPoints” – or the most important items are Expanding Compliance Contacts, Improve Examination Timeliness, Examination Redesign, Deterring Abusive Tax Avoidance Transaction, Hiring and Monitoring Pension Funding. The first installment of this article was published in the Summer 2005 edition of the Employee Plans News. You can read the article by visiting our web site at www.irs.gov/ep.

Our newest newsletter is Retirement News for Employers. This newsletter is geared toward the plan sponsor and is more plain-language. Highlights of this newsletter include:

- Form 5500 filing tips
- Calendars that provide information on filing dates, contribution dates and conference dates
- Articles on choosing, maintaining and correcting a retirement plan
- The Fix Is In – articles highlighting common mistakes that happen in retirement plans. We describe the problem, how it happened, how to fix it and how to lessen the probability of the problem happening again.

It is a good idea is to subscribe to both of these newsletters. You may want to encourage your clients to subscribe to the Retirement News for Employers.

Being a web-based product, the newsletters make an excellent retirement tool because they’re embedded with links to guidance sources, products, and other pertinent sites.

Subscribing to these newsletters will keep you informed on all the latest news regarding retirement plans, legislation, trends, tips on various subjects, as well as keeping you updated on the latest product releases from the office of Employee

Plans Customer Education and Outreach! Subscribing will also put you on the distribution list we use to announce major late breaking news on guidance and advice through Special Editions of the newsletters.

To subscribe, just click on Newsletters under our web page at www.irs.gov/ep, select Employee Plans News or Retirement News for Employers, click on Subscribe then provide us with your e-mail address.

You will receive an e-mail message alerting you to when our latest issues are posted on our web page with a direct link to the newsletter. We will not be bogging down your e-mail with large PDF files. However, this is an electronic newsletter, paper copies are not available.



Further Assistance Available –
Web site

Retirement Plans Community

- Benefits Practitioner
- Plan Participant/Employee
- Plan Sponsor/Employer

The biggest tool in the Retirement Plans Check-up Toolbox is the Retirement Plans Community web page. It contains all the information we have been talking about today and much, much more. This web site can be located by going to www.irs.gov and clicking on Retirement Plans Community or directly by entering www.irs.gov/ep in your web browser.

We have segmented the web page into Information for:

- Benefits Practitioner
- Plan Participant/Employee
- Plan Sponsor/Employer

Each page features articles that are relevant to the audience segment. For example, the page for the Benefits Practitioner includes information on contacting missing participants or beneficiaries. It discusses the IRS Letter-Forwarding Program and provides Benefits Practitioners with useful information on how to handle this difficult situation.

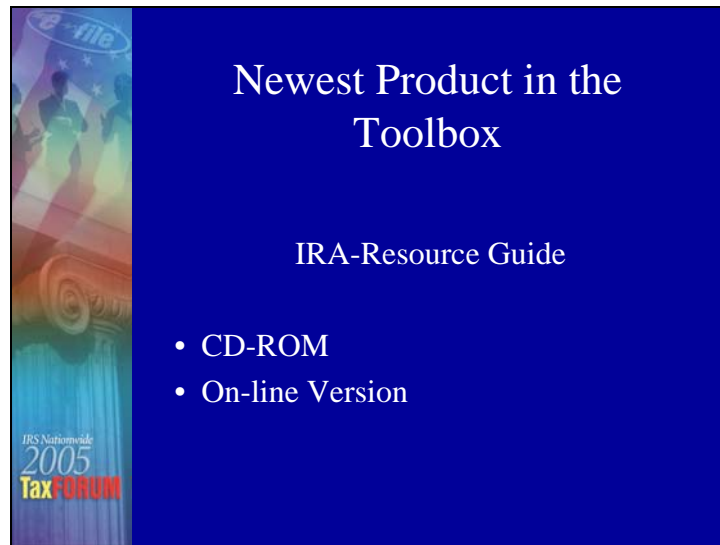
Information on other types of retirement plans can be found on the Internet site. There is an abundance of information on 401(k) plans and 403(b) plans. Keep looking at our web page for the future release of check-ups for these types of plans!

Many of you don't specialize in retirement plans and haven't been through an examination of a Form 5500 return. We have recently added an EP Examination Process Guide to our web site. It walks you through the EP Examination Process and lets you know what to expect after that audit letter is received. Many of you are involved in professional societies that have regular meetings and conferences. We have EP specialists who are available to provide speeches, panels and workshops to your organizations. You can request a speaker through the EP Educational Services located in our web site.

Maybe one of your clients has been approached by someone attempting to sell them a retirement product that just doesn't add up. It is simply too good to be true. We would like to know about it and you can find the address and phone number to report these potential abusive transactions to us.

In addition to the information we mentioned in this presentation, the web page has information on published guidance, the Employee Plans Examination and Determination Letter Programs, and up-to-date information on SIMPLE IRA Plans, SEPs, SARSEPs, and other plans.

This is just a sampling of the wealth of ever-changing information that we have posted to our web site. Please take the opportunity to browse our site. And visit it often for the latest up-to-date information on retirement plans.



Are you saying to yourself, “All this information is great but I just wish it was all in one spot - one easy-to-use tool that I can pop into my computer and presto, all the information I need on my IRA-based plans miraculously appears on my computer screen?”

Well, then you need to get our newest product - a CD-ROM called Individual Retirement Arrangement (IRA) Resource Guide for Small Business Owners and Individuals. It is Publication number 4395.

This CD provides one-stop assistance on Traditional IRAs, Roth IRAs, SEPs, SARSEPs, SIMPLE IRA Plans, and Payroll Deduction IRA Plans.

It includes information on plan set-up, contributions, investments, distributions and more.

Topics from the IRS, SEC, SSA, and FDIC include:

- Calculating the amount of money needed at retirement
- Social Security retirement benefits

- Requirements for operating your IRA, including SEPs and SIMPLE-IRAs

Tools on retirement planning include:

- Ballpark calculator to estimate money you will need at retirement
- Publications, forms and research material
- Video clips and retirement plan comments
- Links to more retirement plan information from government agencies

The information on SEPs and SIMPLEs includes information on why these plans make sense for a business; everything needed to get started and to operate a SEP and SIMPLE IRA Plan; FAQs and information on what to do if a mistake is made in the operation of a plan.

It is easy to use and it is FREE!!

This product is also available in an online version located in one convenient web site.

A blue slide with a vertical graphic on the left side. The graphic features a stylized figure holding a document, with the text 'e-file' in a blue circle above it. Below the figure, there is a logo for 'IRS Nationwide 2005 TaxFORUM'. The main text on the slide is white and centered.

Retirement Plan Assistance

- TE/GE Customer Account Services
➤ (877) 829-5500
- RetirementPlanQuestions@irs.gov

The IRS provides Retirement Plan assistance via telephone and email.

Customers can speak to EP Specialists by calling our TE/GE Customer Account services at (877) 829-5500. We have Customer Service Representatives (with limited knowledge) as well as Employee Plan Specialists (these are EP Revenue Agents or Tax Specialists with more extensive knowledge) staffing this toll free line.

However, since some of the questions may require extensive research, you may be asked to give your name and number and await a call back from an EP Specialist.

Another option is to email your question. In order to get a response you will have to include your telephone number in your email (you may also want to include the best time to call). An Employee Plan Specialist will call you back to answer your question.

You can find this information and additional information on what kind of questions EP Customer Service handles by clicking on EP Customer Services at www.irs.gov/ep.



Get your Toolbox

- Visit EP Booth
- Order individual products
 - (800) TAX – FORM
 - Online at www.irs.gov/ep

Obviously, there is no actual tool box. However, all the printed products we have discussed are available to you today by stopping by our IRS Booth and grabbing a “tool bag.”

You may also just pick up the individual forms, publications and CDs or talk to a member of our IRS Employee Plans Staff if you have a question regarding a retirement plan issue.

The individual products mentioned in this presentation can be ordered by visiting our web site or calling (800) TAX-FORM.

We thank you for attending this session and hope that you are now aware that continued maintenance of an IRA-based retirement plan is something that will get the plan participants humming along the road to a smooth retirement.