

MEMO# 9385

October 31, 1997

DRAFT COMBINED FORM 5305-TRA FOR THE ROTH IRA AND TRADITIONAL IRA

[9385] October 31, 1997 TO: PENSION COMMITTEE No. 44-97 PENSION OPERATIONS ADVISORY COMMITTEE No. 44-97 AD HOC COMMITTEE ON ROTH IRA RE: DRAFT COMBINED FORM 5305-TRA FOR THE ROTH IRA AND TRADITIONAL IRA

The Institute has sent a letter and draft combined Form 5305-A applicable to Roth IRA custodial accounts and traditional IRA custodial accounts ("Form 5305-TRA") to the Internal Revenue Service. The purpose of this draft Form 5305-TRA is to assist the Treasury Department and the Service on the issue of whether to develop a "combined" Form 5305-A. It is our understanding that the Department and the Service have not reached a final decision on the issue of a combined custodial agreement. Please note that this draft Form 5305-TRA does not represent a formal submission to the Service. Because a model custodial agreement applicable to Roth IRAs has not been issued to date, the Institute believed that it would be helpful to provide the Department and the Service with an example of a combined custodial agreement. This draft 5305-TRA represents our attempt to demonstrate the feasibility of a combined custodial agreement. As you will note from the draft, very few changes were necessary to the Form 5305-A in order to incorporate applicable Roth IRA rules. In order to provide timely assistance to the Department and the Service, we expedited our drafting process of draft Form 5305-TRA. We utilized Form 5305-A as a model and deleted and added language as necessary. The language in bold italics represents additions to the current Form 5305-A and the underlined language represents deletions from that form. With regards to specific details of the draft form, we noted in our cover letter to the Service that there are a number of issues concerning distributions from Roth IRAs that will require specific guidance from the Service. In the interest of time, we took a "best guess" approach with regard to these issues. We emphasized that our approach to these Roth distribution issues does not represent our preferred approach, but merely represents a possible approach to these issues. The letter requests that, in the event that the Department and Service decide to issue only a separate model Roth IRA custodial agreement, they consider permitting IRA trustees and custodians to use a "combined" approach in customized custodial agreements. We noted that because IRA trustees and custodians are experts at marketing IRAs and at providing 1 A draft Roth IRA custodial agreement was circulated for your review on October 17, 1997. See Institute Memoranda to Pension Committee No. 41-97 and Pension Operations Advisory Committee No. 40-97, dated October 17, 1997. appropriate customer support and education, it should be a business decision whether to combine the custodial agreements. Finally, we have delayed submission of the separate Roth IRA prototype in anticipation that we will receive guidance from the Department and the IRS regarding a "combined" custodial agreement.¹ We will follow up with the Department and the Service as soon as possible regarding the draft Form

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