

MEMO# 9471

December 3, 1997

ADDITIONAL IRS INTERIM GUIDANCE ON ROTH IRAS

1 See Institute memorandum to Pension Committee No. 48-97 and Pension Operations Advisory Committee No. 47-97, dated December 1, 1997. [9471] December 3, 1997 VIA FACSIMILE TO: PENSION COMMITTEE No. 49-97 PENSION OPERATIONS ADVISORY COMMITTEE No. 48-97 AD HOC COMMITTEE ON ROTH IRA RE: ADDITIONAL IRS INTERIM GUIDANCE ON ROTH IRAS

The Internal Revenue Service released Announcement 97-122 on December 2, 1997, which provides additional interim guidance on Roth IRAs. As you were previously informed, the Service released model forms for Roth IRA trust and custodial accounts on December 1, designated as Form 5305-R and Form 5305-RA.¹ As requested by the Institute in discussions with the Treasury Department and the Service, Announcement 97-122 permits prototype sponsors of Roth IRAs to combine a Roth IRA and a traditional IRA in the same document. Prototype sponsors are permitted to combine these documents provided that: (1) contributions to a Roth IRA are maintained in a separate trust, custodial account or annuity from contributions to a traditional IRA; and (2) the document, as completed by the owner, clearly indicates the type of IRA established, i.e., whether it is a Roth IRA or a traditional IRA. In addition, Announcement 97-122 provides transitional relief for sponsors of Roth IRAs and their customers, similar to the transitional relief provided to SIMPLE IRA sponsors. Under the transition relief, the prototype sponsor must subsequently submit the Roth IRA document to the Service and receive approval. Transition relief is also conditioned upon having the document clearly designate the trust, custodial account or annuity as a Roth IRA at the time of establishment. A copy of Announcement 97-122 is attached. Kathryn A. Ricard Assistant Counsel - Pension Attachment (in .pdf format)

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