



# P e r s p e c t i v e s

## Letter from the President



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Trust Administration Services Corporation (TASC) is a subsidiary of First Regional Bank.

The information contained herein is for general information purposes and should not be construed as legal and/or tax advice. We encourage everyone to seek competent advice from their financial, tax or legal advisor before implementing any investment, tax or estate strategy.

Dear Valued Client:

We have now completed the first quarter of the year. It has not been one of the best three-month periods for the stock market. This again demonstrates the advisability of having a self-directed retirement plan that permits investments in alternative strategies such as real estate, promissory notes and trust deeds as well as most any money market funds you choose. We hope that you have taken advantage of the ability to diversify your investments in order to minimize the downside and maximize the return from your retirement plan during recessionary times.

We are happy to report that all of our technological service enhancements are now in place and operational. We continue to strive to be the most advanced trust service provider in the country. These capabilities will enable you to interact with us more quickly and easily. Please refer to our website for announcements of all our new improvements as well as articles of pending legislation that may affect your retirement planning process. The more important tax changes includes new Required Minimum Distribution (RMD) rules for IRAs and the Pension Reform Bill of 2001 that would provide for increased contribution limits for Defined Benefit and Defined Contribution Plans.

We are continually appreciative of your ongoing support and are pleased that our new retirement plan business for the first quarter is fifty percent higher than for the same period in 1999. We view this increase as an indication of the quality services that we offer and feel that our capabilities are unique in the industry. As is our custom, we invite you to let us know if you have any comments or suggestions that would further improve our company.

Very truly yours,

James R. Wagner

President

## New IRA Required Minimum Distribution Rules

The IRS recently released proposed regulation regarding how Required Minimum Distributions (RMD) are calculated. The regulations also changed the deadline for naming beneficiaries for RMD purposes and other related items. Although the proposed regulations are not effective until 2002, IRA owners may begin to utilize the new regulations immediately. Following are some of the highlights of the proposed regulations. Visit our website at [www.trustlynk.com](http://www.trustlynk.com) for the complete text of these new rules.

Under the new proposed rules, lifetime RMD payments will have a uniform distribution period for all IRA owners of the same age, regardless of the beneficiary. The uniform distribution period table is the required minimum distribution incidental benefit (MDIB) divisor table. One exception applies if the IRA owner's sole beneficiary is their spouse and more than 10 years younger than the IRA owner. In that case, the IRA owner is permitted to use the longer distribution period measured by the joint life and last survivor life expectancy of the IRA owner and spouse. In most cases, RMD calculations under the proposed rules will reduce the annual distribution for those 70 ½ and older.

The designated beneficiary will no longer be determined as of April 1 of the IRA owner's 70 ½ year. Therefore, the IRA owner may now change beneficiaries without affecting the established RMD payments. The designated beneficiary is now determined as of December 31 of the year following the IRA owner's death. If at that time, there is more than one beneficiary and separate accounts have not been established, then the designated beneficiary is the one with the shortest life expectancy. If only one beneficiary remains, distributions are based on the beneficiary's remaining life expectancy and will vary depending on whether or not, the beneficiary is the spouse.

A trust may be named as a beneficiary with RMD calculations based on the underlying beneficiary of the trust only if certain requirements are met.

These new proposed regulations also apply to qualified employer retirement plans and may vary depending on plan language.

While these regulations are intended to simplify the required minimum distribution process, before implementing any significant changes to your retirement account, we suggest consulting with your financial advisor, attorney or tax advisor.

## [www.trustlynk.com](http://www.trustlynk.com)

Client account access is available on-line through our website. If you would like to sign up for this service, please visit the TASC On-Line section of our website to download your registration form.

You can also access a wealth of helpful information on topics such as IRAs, retirement and estate planning, and employee benefits.

In addition, **free investment information** is available through our Research Center. Previous issues of our Perspectives Newsletter as well as our forms, such as Investment Authorizations, Transfer Forms, and Distribution Requests, can be downloaded directly from the website.





## Defined Benefit Plans

Companies that want to provide a guaranteed level of retirement income to employees regardless of their age at plan entry and want to contribute more than \$35,000 a year for a participant may benefit from a Defined Benefit Plan. The plan will generally allow for the maximum amount of tax-deferred savings available to older, highly compensated participants.

Contributions are actuarially determined based on the amount of benefit to be provided. Annual retirement benefits are limited to \$140,000 or 100% of the participants' compensation averaged over the three highest earning years.

Small business owners are often ideal prospect for a defined plan. Some of the factors to consider are age of the owner as well as age and number of employees. Second career individuals, such as retired military, professors, and consultants may benefit greatly by starting a defined benefit plan.

Advantages of defined benefit plan over other types of qualified business plans include significantly higher contributions, older, higher paid employees receive a greater contribution and contribution may not always be a function of current compensation.

Drawbacks to consider with a defined benefit plan include required contributions; somewhat higher administrative costs and adding employees can have significant impact on contribution and benefits provided by plan. The plan may also need to be insured with Pension Benefit Guaranty Corporation (PBGC), a government watchdog that protects employee benefits.

To help you determine if a Defined Benefit Plan is best for your business, we offer complimentary qualified plan proposals and comparisons emphasizing benefits of different plan types and designs.



## Special Assets

We are often asked what documentation we need from clients investing in promissory notes or trust deeds. Here is a quick review:

1. Before funding we would like to receive: a) a signed investment authorization form; and b) copies of the proposed promissory note and deed of trust so we can ensure the registration will properly reflect First Regional Bank, as the custodian of your account.
2. Once the funds have been sent out for investment you are responsible for the following:
  - a. verifying the individual or investment company that you selected placed your funds into the proper investment;
  - b. obtaining the necessary documentation from the individual or investment company to verify that your funds were correctly invested, including, but not limited to, shares or units, proper recordation, loan to value ratio, etc.; and
  - c. sending the original documentation evidencing your investment to us.
3. We prefer to hold the original promissory note and, if applicable, deed of trust. If you use a third party servicing agent (someone other than yourself) they may hold the original documents; however, in such cases we would like copies of the executed and recorded documents.
4. We will not monitor your account to ensure receipt of such documentation and will rely solely on you to provide this information.

During the upcoming weeks you may receive correspondence from us regarding your investment(s) in promissory notes. We ask that you review our letter carefully and provide us with any requested information.





**TRUST ADMINISTRATION  
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Email: [tasc@trustlynk.com](mailto:tasc@trustlynk.com)

## **IRA Contributions**

If you are planning to make a year 2000 Roth or Traditional IRA contribution, remember it must be postmarked by April 16, 2001. Contributions should be mailed to:

P.O. Box 85410  
San Diego, CA 92186-5410

Be sure to indicate the year the contribution is for on your check.

## **Your Retirement Specialist**

### **E-mail us at:**

Jim Wagner – [jwagner@trustlynk.com](mailto:jwagner@trustlynk.com)  
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### **Investment Authorizations:**

[tasc@trustlynk.com](mailto:tasc@trustlynk.com)

## **Protection of IRAs in Bankruptcy**

Although IRAs are tax-qualified retirement plans under Internal Revenue Code, they are not ERISA-qualified plans. Therefore, IRAs are not necessarily protected from bankruptcy proceeding like an ERISA covered pension plan. However, many states have enacted exemptions to protect IRAs.

While IRAs are often covered by an exemption, only a few state statutes provide an unlimited and unqualified exemption. Most state exemptions for IRAs are limited in some fashion or may not even be specifically mentioned in the statute. Exemptions are commonly limited to a specific percentage or dollar amount.

Another commonly used and increasing popular exemption is an amount “reasonably necessary” to adequately support the debtor and his or her dependents. The court considers many factors to determine what amount would be reasonably necessary for support. Consideration may be given to factors such as current and future living expenses, income, age and health, just to name a few.

The state of domicile of the IRA owner generally determines which state exemption statute governs.

To find out more about IRA protection in bankruptcy proceeding in your state, contact your attorney or financial advisor. You may also visit the Resource section of our website at [www.trustlynk.com](http://www.trustlynk.com).



## **E-mail**

Investment Authorization forms may be attached and sent to TASC by e-mail at [tasc@trustlynk.com](mailto:tasc@trustlynk.com). We will make every effort to process your investment instructions received via e-mail in a timely manner, generally by the end of the second business day, provided we have complete instructions on the authorization form and all necessary documents. However, if your request is more time sensitive, please contact your account administrator by telephone.

In order to accept investment authorizations for your account by e-mail, we must have your current e-mail on file in your records. Investment Authorization forms may be completed on-line from the Forms section of our website.

General account information and requests should be sent directly to your account administrator either by e-mail, fax or telephone.

If you would like us to communicate with you by e-mail, please provide us your e-mail address. Please send this information to [tasc@trustlynk.com](mailto:tasc@trustlynk.com)

