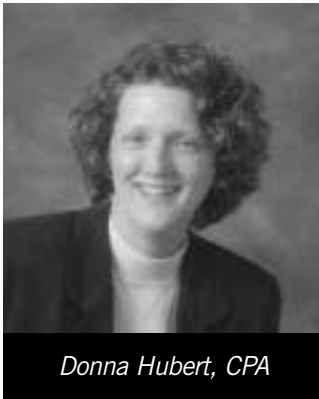


# Legacy Advisor

Winter 2005 Issue No. 05-1

## BENEFIT PLANS

### New Rollover Requirement



Donna Hubert, CPA

For many years retirement plans have been allowed to distribute a separated participant's account without the participant's consent when the benefit was less than

\$5,000. While this is still the case, distributions made on or after March 28, 2005 for which a separated participant fails to elect a distribution method, must be automatically rolled over into an IRA if the distribution is between \$1,000 and \$5,000.

A new DOL regulation protects plan fiduciaries by providing a safe harbor in connection with two aspects of the rollover process - the selection of an IRA provider and the selection of the IRA investments. In order to qualify for the safe harbor, certain conditions must be met. Among other things, the selected provider must be qualified to offer IRAs; investments must be designed to preserve principal; and the fees and expenses charged for the IRA may not exceed the amounts charged by the provider for other rollover

accounts. The plan sponsor must enter into a written agreement with the IRA provider, on which the plan sponsor may rely, stipulating that the IRAs will be maintained in accordance with the safe harbor regulation.

Plan sponsors must notify the participant in writing that their distribution may be paid in a direct rollover to an IRA. Additionally, automatic rollover procedures must be included in the plan's summary plan description or summary of material modifications. Plans that provide for mandatory distributions must adopt a good faith amendment to include automatic rollover provisions by the end of the first plan year ending on or after March 28, 2005. Sample plan amendment language is included in IRS Notice 2005-5 available at [www.irs.gov/IRB/2005-03\\_irm/apa.html#d0e1610](http://www.irs.gov/IRB/2005-03_irm/apa.html#d0e1610). The final rule is available at [www.dol.gov/ebsa/regs/fedreg/fin/2004021591.htm](http://www.dol.gov/ebsa/regs/fedreg/fin/2004021591.htm).

Please contact us if you have any questions or need any additional information.

*By Donna A. Hubert, CPA,  
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### Legacy News

Legacy Professionals celebrated its two-year anniversary on January 20, 2005! Thanks to all of our clients and friends of the Firm for your ongoing support. We are looking forward to many more great years!

Did you know that we have a growing not-for-profit practice? If you are involved in a trade or professional association, charitable organization, or foundation, please keep us in mind for audit, accounting, and tax services. Contact Julie Tucek at [jtucek@legacycpas.com](mailto:jtucek@legacycpas.com) or at 312-368-0500 for additional information on our not-for-profit practice.

We are very pleased to announce a number of Legacy Professionals LLP promotions as of January 1, 2005. Robert (Bob) Cann, CPA, was admitted to the partnership. Bob serves as the Firm's Director of Compliance Services and works out of the Firm's Chicago office. Legacy now has sixteen partners in our three offices.

Tim Cibulka, Jim Kemperas, Tim Lakis (Chicago), and Lori Seljan (Indiana) were promoted to Senior Manager. Mark Batliner, Colin Thompson (Chicago), and Chad Fennell (Minnesota) were promoted to Manager. Additionally, eight members of the staff were promoted to Senior Accountant, including: Marcie Clark, Akelo Colbert, Jeremy Cremean, Maureen Dunigan, Paul Hedinger, Jerry Myers, Tessa Palomo, and Jorge Villegas.

This issue was edited by Louise M. King, CPA. Louise can be reached at [lking@legacycpas.com](mailto:lking@legacycpas.com) if you have any questions or comments.

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**LEGACY**  
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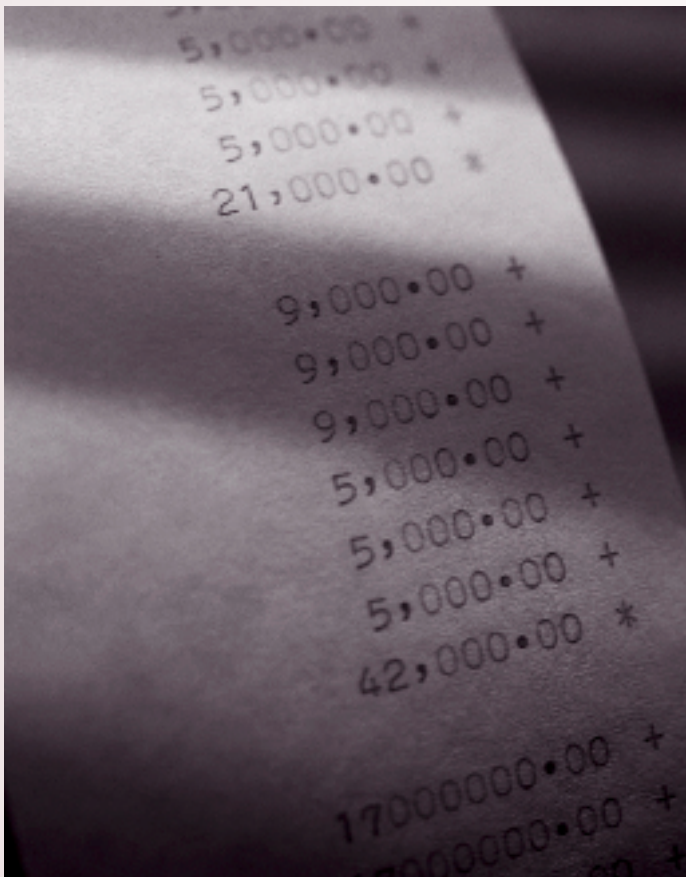
The perfect balance of commitment and experience.

## Personal Financial Statements

**A** **personal financial statement** tells you exactly where you are on a financial basis and may assist you in making decisions for the future. The beginning of the new year is a great time to review your personal financial situation. Most individuals get introduced to the personal financial statement when they apply for a loan because it is generally required by the financial institution as part of the loan application process.

**"Banks use them to make credit decisions. The personal financial statement enables us to look at the whole financial picture of the person we are considering working with," stated Amy Turk, Vice President, Wealth Management, LaSalle Bank NA in Chicago.**

There are two basic parts to the personal financial statement – the balance sheet and the cash flow statement (sometimes called the income statement).



The **balance sheet** tells you how much you are worth at a given point in time. The basic calculation on the balance sheet is: total assets minus total liabilities equals net worth. To begin, you need to list your assets and their fair market value. Assets include:

- Cash and short-term investments
- Marketable stocks and bonds
- Net cash value of life insurance policies
- Accounts and notes receivable
- Real estate
- IRA, 401(k), and Keogh accounts
- General or limited partnership interests
- Personal property
- Any other assets not included above

Next, you need to create a listing of your liabilities, which should include:

- Real estate mortgages
- Other notes payable
- Accounts payable, including credit card balances
- Unpaid income taxes
- Any other liabilities not included above

The **cash flow statement** identifies your annual income and details how you spend it. Sources of income include: salary, bonus and commissions, dividends, interest, rental income, partnership income, trust income, pension/annuity income, alimony, child support, and other income not included in this list.

Next, you will need to identify how you spend your income. Expenditures include: home mortgage payments, loan payments, credit card payments, property taxes and assessments, income taxes, insurance payments, alimony, child support, general living expenses, retirement payments, charitable giving, and others.

In summary, preparation of a personal financial statement will help you define your net worth, assist you in understanding how you spend your annual income, and provide you the necessary information to assist you in making appropriate decisions for the future. Please let us know if you need any assistance or guidance with this process.

*By Robert Tiberi, CPA, Managing Partner,  
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## IFEBP Annual Conference Round-Up

Legacy Professionals LLP exhibited at the rescheduled International Foundation of Employee Benefit Plans 50th Annual Conference December 4-10. The conference was held, as planned, at the Morial Convention Center in New Orleans, Louisiana. Representing Legacy in the booth were Partners Bruce Pavlik and Larry Wojnarowicz, and Marketing Director, Julie Tucek. This year's grand prize at the Legacy booth was a \$250 American Airlines gift certificate. Bill Roehr of the Building Trades United Pension Fund in Pewaukee, WI was the lucky winner! Congratulations to Bill! All other booth visitors received Legacy sticky notecubes and Legacy leather coasters.

Legacy Partner Bruce Pavlik, of the Chicago office, presented a session entitled "Department of Labor Update." Larry Wojnarowicz, the Partner in Charge of our

Indiana office, spoke at a session that covered "Health Care Fraud and Its Impact on Today's Costs." For more information on either of their sessions, feel free to contact us at [info@legacycpas.com](mailto:info@legacycpas.com).

We look forward to seeing all of our clients and friends of the Firm next year in Hawaii for the 51st Annual Conference!



## Locating Missing Participants

When a defined contribution pension plan is terminated, all plan assets must be distributed to participants and beneficiaries. However, not all participants and beneficiaries respond to termination notices, causing delays in the winding down of the plan. The DOL Employee Benefits Security Administration (EBSA) has issued Field Assistance Bulletin (FAB) 2004-02 addressing this problem.

The bulletin provides steps plan sponsors must take to locate missing participants and beneficiaries including: using certified mail; checking records of related plans, such as health plans; or using the IRS' or Social Security Administration's letter-forwarding service. Reasonable search expenses may be charged to a participant's account.

If a participant cannot be located or fails to elect a method of distribution, the plan sponsor can use one of the distribution options specified in the bulletin. Plan sponsors



can choose to follow the new automatic IRA rollover regulations (see article on page 1). The DOL considers this the best option since it preserves assets for the participant's retirement. The plan sponsor may instead establish an interest bearing federally insured bank account in the participant's name or transfer the account balance to the appropriate state's unclaimed property fund.

In the past, some plan sponsors would transfer the assets to the IRS through 100% income tax withholding. The EBSA has stated that this action is not in the best interest of the plan participants and would violate ERISA's

fiduciary requirements.

FAB 2004-02 is available online at [http://www.dol.gov/ebsa/regs/fab\\_2004-2.html](http://www.dol.gov/ebsa/regs/fab_2004-2.html)

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## Legacy Peer Review

CPA firms periodically undergo their own version of an “audit.” This program is called the “Peer Review” and is designed to provide assurance that public accounting firms establish and enforce the appropriate quality control system for their accounting and auditing practice, and do so in accordance with the standards and procedures formulated by the AICPA. Typically, a peer review is performed every three years.

In November 2004, Legacy Professionals LLP successfully completed its peer review. The peer review team of an outside CPA firm made an independent assessment of Legacy’s quality control system, inspected the working papers and reports on a sample of engagements. They also inspected the

administrative files and records and interviewed professional personnel to determine the extent of qualifications, supervision, and training.

We are very pleased to report that the team issued an unqualified report with no Letter of Comment to our Firm. What does this mean? This is the best result you can receive since the Letter of Comment usually includes suggestions for improvement. We will continue to do our very best to continue to provide the top-notch service our clients have come to count on. Contact our Managing Partner, Bob Tiberi at [rtiberi@legacycpas.com](mailto:rtiberi@legacycpas.com) or at (312) 368-0500 if you have any specific questions concerning the Peer Review or if you would like to receive a copy of our most recent Peer Review letter.

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