

CASE OF THE WEEK*w/o 12.18.2011 SIMPLE IRA Trustees and Custodians*

Our ERISA consultants on the Columbia Management Learning Center Resource Desk regularly receive calls from financial advisors on a broad array of technical topics related to IRAs and qualified retirement plans. For example, we routinely guide Columbia Management's financial advisor partners through the rules and regulations that pertain to savings incentive match plans for employees (SIMPLE) IRA plans.

A recent call with an independent advisor in Georgia is representative of a common inquiry regarding one's ability to change the trustee or custodian (i.e., provider) of the SIMPLE IRA. The advisor asked: **"With a SIMPLE IRA, can my client change the provider who receives the contributions at anytime?"**

Highlights of Recommendations

- Whether your client can change the provider that receives the SIMPLE IRA contributions from the employer depends on the language of the employer-level SIMPLE IRA plan agreement used to establish the SIMPLE IRA plan.
- Some SIMPLE plan agreements (e.g., IRS Form 5305-SIMPLE) require the employer to identify a single financial organization as the "designated financial institution" or DFI, which will receive all initial and ongoing SIMPLE IRA contributions under the plan. However, participants retain the right to later transfer their SIMPLE IRA balances to providers of their choice.
- Some SIMPLE plan agreements (e.g., IRS Form 5304-SIMPLE) do not require the employer to identify a DFI, and allow participants to select the SIMPLE IRA providers that will receive their contributions.

Conclusion

The SIMPLE plan agreement that the employer executes will determine whether participants are free to select the providers that will receive their SIMPLE IRA contributions. Financial advisors who are aware of this distinction set themselves apart from the average advisor and, thereby, win more clients and retirement plan business. As always, the Columbia Management Learning Center is available to help.