


# Understanding Your 2008 Form 1099-R

# Retirement Distributions



# 2008 Form 1099-R Distribution Information

PAYER'S name, street address, city, state, and ZIP code  NATIONAL FINANCIAL SERVICES LLC AGENT FOR FIDELITY MGT TRUST COMPANY 200 LIBERTY STREET NEW YORK, NY 10281			1 Gross distribution \$ 3,800.00		2a Taxable amount \$ 3,800.00		OMB No. 1545-0119 <b>2008</b> <b>Form 1099-R:</b> Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. <small>This information is being furnished to the Internal Revenue Service.</small>		
RECIPIENT'S Name and Address  JOHN SAMPLE 123 MAIN STREET ANYTOWN, NY 12345-1234			2b Taxable amount not determined <input checked="" type="checkbox"/> Total distribution <input type="checkbox"/>		3 Capital gain (Included in box 2a) \$			4 Federal income tax withheld \$ 0.00	
			5 Employee contributions/designated Roth contrib. or insurance premiums \$		6 Net unrealized appreciation in employer's securities \$			<b>COPY 2</b> File this copy with your State, City, or Local income tax return, when required.	
			7 Distribution code(s) 7		IRA/SEP/SIMPLE X				
Customer service phone number 800-544-6666			9a Your percentage of total distribution %		9b Total employee contributions \$				
PAYER'S Federal ID # 04-3523567 RECIPIENT'S ID # 012-34-5678 Account number 123-1234521			10 State tax withheld \$		11 State/Payer's state number		12 State distribution \$		
			13 Local tax withheld \$		14 Name of locality		15 Local distribution \$		

FORM 1099-R Department of the Treasury - Internal Revenue Service

For illustrative purposes only. Certain categories of transactions in the sample may not pertain to your account. The PAYER information differs from the form, illustrated above, for Fidelity Fund Accounts.

You may receive more than one Form 1099-R, because distribution information on each form is limited to one account and one distribution code.

**Box 1:** Reports the total amount of the distribution(s) for each distribution code, including income taxes that Fidelity withheld, if any. Box 1 does not include fees that we may have charged.

**Box 2a:** Reports the part of the distribution that is generally taxable. In cases in which we know that the distribution is generally not taxable (such as recharacterizations and direct rollovers into a qualified retirement plan), the amount reported will be zero. For certain types of distributions, including some distributions from Roth IRAs, the box is left blank.

**Box 2b:** Generally, Fidelity checks the *Taxable amount not determined* box for all cases except where we can identify the taxable amount of a distribution as zero. In cases where either this box is checked or Box 2a is left blank, you will need to check your own records to determine the taxable amount. Fidelity checks the *Total distribution* box if all of the assets have been distributed from the account.

**Box 4:** Reports any federal income tax withheld from your distribution. Include this on your income tax return as tax withheld, and if Box 4 shows an amount (other than zero), attach Copy B of your 1099-R to your federal income tax return.

**Box 7:** Please see the reverse side of your Form 1099-R for official IRS distribution code definitions. In addition to normal and early distributions, distribution types include direct rollovers from employer-sponsored retirement plans, conversions to a Roth IRA, and recharacterized contributions (plus earnings).

**IRA/SEP/SIMPLE Checkbox:** Is checked if the distribution is from a Traditional IRA, SEP-IRA, SIMPLE IRA, or an IRA that was converted to a Roth IRA.

**Boxes 10-12:** Reports state income tax withholding information.

*Boxes 3, 5, 6, 8, 9a, and 9b do not apply to Fidelity retirement accounts. Fidelity does not currently complete boxes 13-15.*

## Do you take early distributions from your IRA as Substantially Equal Periodic Payments?

Fidelity generally reports IRA distributions taken prior to the account owner reaching age 59½ as "early distribution, no known exception." You will see this on your 1099-R in Box 7 as code 1. As a result, you may incur a 10% Federal Income Tax early withdrawal penalty on your distribution(s) unless you file Form 5329 with your Federal Income Tax Return, which indicates that you are eligible for an exception to the penalty. Please consult the IRS and/or your tax advisor for more information.

## FREQUENTLY ASKED QUESTIONS

**Why am I receiving a Form 1099-R?**

The IRS requires Fidelity to issue a Form 1099-R if you took more than \$10 in distributions from your retirement plan, IRA, annuity, pension, insurance contract, etc.

**Am I required to report information contained on Form 1099-R on my federal income tax return?**

Yes. Distributions from retirement accounts are generally reportable on Form 1040 or Form 1040A. Depending upon your circumstances, you may need to report:

- IRA distributions
- pension and annuity distributions
- tax on IRAs or other retirement plans (you may need to complete Form 5329)
- federal income tax withheld

You are required to attach Copy B of your 1099-R to your federal income tax return only if federal income tax is withheld and an amount is shown in Box 4.

*Please refer to the official IRS instructions for Form 1040 or 1040A, or consult your tax advisor for more information.*

**I always made deductible contributions to my IRA. What portion of my distribution will be taxed?**

If you always made deductible contributions, all the money you withdraw from your IRA is fully taxable. Generally, if you made any nondeductible IRA contributions, only the earnings portion of any distributions attributable to those contributions is taxable.

**I have made nondeductible contributions to my IRA. Do I have to pay taxes on that money?**

You will not have to pay federal income tax on the portion of your distribution attributable to your nondeductible contributions. However, you will have to pay taxes on the portion of your distribution attributable to any investment earnings and/or deductible contributions.

**How can I report distributions from Form 1099-R that are generally not taxable?**

The IRS generally requires you to complete Form 8606 in addition to Form 1040 or Form 1040A if you:

- received a distribution from a retirement plan for which you made nondeductible contributions (Form 8606 must also be completed in the year in which nondeductible contributions are made)
- made conversions to a Roth IRA in 2008
- recharacterized 2007 contributions to or from a Roth IRA
- received a Roth IRA distribution in 2008 (you also may need to complete Form 5329)

**I have a Roth IRA. Am I automatically free from paying federal income tax on my withdrawals?**

Qualified withdrawals from a Roth IRA are generally free from federal income tax. A qualified distribution is one that is taken after the 5-year aging period and for which one of the following applies:

- over age 59½
- for a first-time home purchase (up to a lifetime limit of \$10,000)
- due to disability
- due to death

**I had Fidelity make a direct rollover from my employer-sponsored retirement plan into my Fidelity IRA Rollover Account. Why am I receiving a Form 1099-R?**

The IRS requires a trustee of an employer-sponsored retirement plan to report direct rollovers from the plan on Form 1099-R. However, direct rollovers are generally not taxable. If you directly rolled over your employer-sponsored plan account into a Fidelity IRA account, you will be receiving Form 5498, *IRA Contribution Information*, which should balance out the distribution on Form 1099-R.

**I had Fidelity make a direct trustee-to-trustee transfer of my IRA account to Fidelity from another firm. Is it reported on Form 1099-R?**

Direct transfers between trustees involving the same type of plan are generally not reportable on Form 1099-R.

**I transferred my retirement account to Fidelity during 2008. Who will send me my tax forms?**

If you transferred your account to Fidelity in 2008, your enclosed Form 1099-R only includes distribution activity from the time you began conducting business in this account with Fidelity. Your former firm should provide a Form 1099-R for any distribution activity that occurred before your account was transferred.

**I make estimated tax payments. What issues do I need to consider?**

As you calculate your estimated tax payments, be sure to include taxable income you may receive from a Minimum Required Distribution. If you underpay your estimated tax, you could be subject to penalties and interest. Withdrawals from your Fidelity IRA(s), Profit Sharing, Money Purchase, and Self-Employed 401(k) Plan(s) will be reported on Form 1099-R to you and to the IRS.

# Looking for a place to invest your distribution? Consider a CD from Fidelity.

You know Fidelity as an expert in mutual funds and IRAs, but we also offer a wide range of CDs and money market funds that may be appropriate if you are looking for more conservative investing options. When it comes to ways to put your cash to use, Fidelity offers many important advantages over banks.

**If your goal is to lock in a guaranteed rate**, consider a certificate of deposit (CD)<sup>1</sup> from Fidelity. You get:

- FDIC insurance<sup>2</sup>
- A wide, online selection of inventory from 500 banks nationwide<sup>3</sup> — no single bank can match this
- Competitive interest rates on CDs that you can browse and buy online, all in one place
- A variety of choices to suit your investing time frame (three months to 20 years)
- The flexibility to cash out before maturity with no penalty<sup>4</sup>
- Locked-in rates

## MRD Tracker shows estimates and year-to-date distributions

Fidelity's MRD Tracker helps you estimate the amount of your minimum required distribution (MRD). It also makes it easier for you to keep track of whether you've withdrawn the required amount for the current year from your Fidelity IRA and Fidelity retirement plan account(s).

To view your information, log into *Accounts & Trade > Portfolio* and choose *History* from the Select Action drop-down box for your retirement account. Once you do that, the MRD Tracker will appear. You may also view the MRD Tracker by clicking on "Withdraw from IRA" in the Portfolio Summary area.

Note: The MRD Tracker is visible only to customers who are age 70½ or older.

**If your goal is a competitive yield plus liquidity**, consider a Fidelity money market fund.<sup>5</sup> As the largest money market fund manager in the country, we offer:

- Competitive yields
- Liquidity—you can withdraw funds any time with no penalties
- The convenience of checkwriting
- A wide selection of funds to meet different goals—taxable fund choices include Treasury, government, and general purpose

Look to Fidelity, the #1 retirement provider, to provide the strength, stability, and guidance you want today. Contact a Fidelity Retirement Representative at 800-544-4774 to develop a strategy for your distributions, and let us help you do more with your cash.

## New federal legislation extends IRA charitable provisions

If you are an IRA owner, age 70½ or older, you are able to distribute amounts from an IRA directly to a qualifying charity. The amount donated is federal income tax free and can be used to satisfy the IRA MRD requirements for the year. These qualifying charitable distributions (QCDs) were due to expire with 2007 distributions; however, the recently passed Emergency Economic Stabilization Act of 2008 extended the availability of these types of distributions to 2008 and 2009. Contact a Retirement Representative at 800-544-4774 for more information.

## Before investing, consider the fund's investment objectives, risks, charges and expenses. Contact Fidelity for a prospectus containing this information. Read it carefully.

#1 retirement provider based on defined contribution assets, and participant and IRA assets administered. Source for claim that Fidelity is the #1 401(k) choice is PLANSponsor 2007 Recordkeeping Survey © Asset International Inc. Based on defined contribution assets and participants of recordkeepers reporting as of 12/31/07. Claim that Fidelity is the #1 choice for IRAs is based on Cerulli Associates, *The Cerulli Edge™—Retirement Edition*, Third Quarter 2008. Based on an industry survey of firms reporting total IRA assets administered for Q1 2008.

<sup>1</sup>Fidelity offers a type of certificate of deposit (CD) called a brokerage CD. Brokerage CDs are issued by banks for brokerage firms' customers, with the deposits received being obligations of the issuing bank. The CDs are usually issued in large denominations and the brokerage firm divides them into smaller denominations for resale to its customers. If your CD has a step rate, the interest rate of your CD may be higher or lower than prevailing market rates. Step rate CDs are also subject to secondary market risk and often will include a call provision by the issuer that would subject you to reinvestment risk. The initial rate is not the yield to maturity. If your CD has a call provision, please be aware that the decision to call the CD is at the issuer's sole discretion. Also, if the issuer calls the CD, you may be confronted with a less favorable interest rate at which to reinvest your funds. Fidelity makes no judgment as to the creditworthiness of the issuing institution and does not endorse or recommend the CDs in any way.

<sup>2</sup>Interest payments and principal are FDIC insured. For retirement accounts, such as traditional or Roth IRAs, FDIC insurance covers up to \$250,000 per account owner per institution. For nonretirement accounts the coverage has been temporarily raised up to \$250,000 per account owner per institution. This temporary increase will remain in effect until December 31, 2009, and investors should bear this in mind when purchasing CDs with maturities beyond this date.

<sup>3</sup>Fidelity makes no judgment as to the creditworthiness of the issuing institution and does not endorse or recommend the CDs in any way.

<sup>4</sup>CDs sold prior to maturity are subject to a concession and may be subject to a substantial gain or loss due to interest rate changes.

<sup>5</sup>An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund. Unlike most FDIC-insured CDs or bank products, a money market fund's yield and return will vary