Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

ROUSEY ET UX. *v.* JACOWAY

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

No. 03–1407. Argued December 1, 2004—Decided April 4, 2005

Several years after petitioners deposited distributions from their pension plans into Individual Retirement Accounts (IRAs), they filed a joint petition under Chapter 7 of the Bankruptcy Code. They sought to shield portions of their IRAs from their creditors by claiming them as exempt from the bankruptcy estate under 11 U. S. C. §522(d)(10)(E), which provides, *inter alia,* that a debtor may withdraw from the estate his "right to receive . . . a payment under a stock bonus, pension, profitsharing, annuity, or similar plan or contract on account of . . . age." Respondent Jacoway, the Bankruptcy Trustee, objected to the Rouseys' exemption and moved for turnover of the IRAs to her. The Bankruptcy Court sustained her objection and granted her motion, and the Bankruptcy Appellate Panel (BAP) agreed. The Eighth Circuit affirmed, concluding that, even if the Rouseys' IRAs were "similar plans or contracts" to the plans specified in §522(d)(10)(E), their IRAs gave them no right to receive payment "on account of age," but were instead savings accounts readily accessible at any time for any purpose.

Held: The Rouseys can exempt IRA assets from the bankruptcy estate because the IRAs fulfill both of the §522(d)(10)(E) requirements at issue here—they confer a right to receive payment on account of age and they are similar plans or contracts to those enumerated in §522(d)(10)(E). Pp. 4–14.

(a) The Court reaffirms its suggestion in *Patterson* v. *Shumate,* 504 U. S. 753, 762–763, that IRAs like the Rouseys' can be exempted from the bankruptcy estate pursuant to §522(d)(10)(E). Pp. 4–5.

(b) The Rouseys' IRAs provide a right to payment "on account of . . . age" within §522(d)(10)(E)'s meaning. The quoted phrase requires that the right to receive payment be "because of" age. *Bank of Amer-*

ica Nat. Trust and Sav. Assn. v. *203 North LaSalle Street Partnership,* 526 U. S. 434, 450–451. This meaning comports with the common, dictionary understanding of "on account of," and §522(d)(10)(E)'s context does not suggest another meaning. The statutes governing IRAs persuade the Court that Jacoway is mistaken in arguing that there is no causal connection between that right and age or any other factor because the Rouseys' IRAs provide a right to payment on demand. Their right to receive payment of the entire balance is not in dispute. Because their accounts qualify as IRAs under 26 U. S. C. §408(a), they have a nonforfeitable right to the balance held in those accounts, §408(a)(4). That right is restricted by a 10 percent tax penalty on any withdrawal made before age 59½, §72(t). Contrary to Jacoway's contention, this 10 percent penalty is substantial. It applies proportionally to any amounts withdrawn and prevents access to the 10 percent that the Rouseys would forfeit should they withdraw early. It therefore effectively prevents access to the entire balance in their IRAs and limits their right to "payment" of the balance. And because this condition is removed when the accountholder turns age 59½, the Rouseys' right to the balance of their IRAs is a right to payment "on account of" age. Pp. 5–8.

(c) The Rouseys' IRAs are "similar plan[s] or contract[s]" to the "stock bonus, pension, profitsharing, [or] annuity . . . plan[s]" listed in §522(d)(10)(E). To be "similar," an IRA must be like, though not identical to, the listed plans or contracts, and consequently must share characteristics common to them. Because the Bankruptcy Code does not define the listed plans, the Court looks to their ordinary meaning. *E.g., United States* v. *LaBonte*, 520 U. S. 751, 757. Dictionary definitions reveal that, although the listed plans are dissimilar to each other in some respects, their common feature is that they provide income that substitutes for wages earned as salary or hourly compensation. That the income the Rouseys will derive from their IRAs is likewise income that substitutes for wages lost upon retirement is demonstrated by the facts that (1) regulations require distribution to begin no later than the calendar year after the year the accountholder turns 70½; (2) taxation of IRA money is deferred until the year in which it is distributed; (3) withdrawals before age 59½ are subject to the 10 percent penalty; and (4) failure to take the requisite minimum distributions results in a 50 percent tax penalty on funds improperly remaining in the account. The Court rejects Jacoway's argument that IRAs cannot be similar plans or contracts because the Rouseys have complete access to them. This argument is premised on her view that the 10 percent penalty is modest, a premise with which the Court does not agree. The Court also rejects Jacoway's contention that the availability of IRA withdrawals exempt

from the early withdrawal penalty renders the Rouseys' IRAs more like savings accounts. Sections 522(d)(10)(E)(i) through (iii)—which preclude the debtor from using the §522(d)(10)(E) exemption if an insider established his plan or contract; the right to receive payment is on account of age or length of service; and the plan does not qualify under specified Internal Revenue Code sections, including the section governing IRAs—not only suggest generally that the Rouseys' IRAs are exempt, but also support the Court's conclusion that they are "similar plan[s] or contract[s]" under §522(d)(10)(E). Pp. 8–14.

347 F. 3d 689, reversed and remanded.

THOMAS, J., delivered the opinion for a unanimous Court.