



Jerry Ask, CFP®

The JKA Report

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AN INVESTMENT NEWSLETTER FOR CLIENTS & PROSPECTS

Provided by Jerry K. Ask Investment Services

Rollovers

In general, a rollover is the movement of funds from one retirement savings vehicle to another. You may want, or need, to make a rollover for any number of reasons—your employment situation has changed, you want to switch investments, or you’ve received death benefits from your spouse’s retirement plan. There are two possible ways that retirement funds can be rolled over—the 60-day rollover and the trustee-to trustee transfer.

The 60-Day, or Indirect, Rollover

With this method, you actually receive a distribution from your retirement plan and then, to complete the rollover transaction, you make a deposit into the new retirement plan that you want to receive the funds. You can make a rollover at any age, but there are specific rules that must be followed. Most importantly, you must generally complete the rollover within 60 days of the date the funds were paid from the distributing plan.

If properly completed, rollovers aren’t subject to income tax. But if you fail to complete the rollover or miss the 60-day deadline, all or part of your distribution may be taxed, and subject to a 10% early distribution penalty (unless you’re age 59 1/2 or older or another exception applies).

Further, if you receive a distribution from an employer retirement plan, your employer must withhold 20% of the payment for taxes. This means that if you want to roll over your entire distribution, you’ll need to come up with the extra 20% from your other funds (you’ll be able to recover the withheld taxes when you file your tax return).



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“Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves.”

—Peter Lynch
Fidelity Investments

The Direct Rollover

The second type of rollover transaction occurs directly between the trustee or custodian of your old retirement plan, and the trustee or custodian of your new plan. You never actually receive the funds or have control of them, so a trustee-to-trustee transfer is not treated as a distribution. Trustee-to-trustee transfers avoid both the danger of missing the 60-day deadline and, for employer plans, the 20% withholding problem.

With employer retirement plans, a trustee-to-trustee transfer is usually referred to as a direct rollover. If you receive a distribution from your employer’s plan that’s eligible for rollover, your employer must give you the option of making a direct rollover to another employer plan or IRA.



A trustee-to-trustee transfer (direct rollover) is generally the safest, most efficient way to move retirement funds. Taking a distribution yourself and rolling it over makes sense only if you need to use the funds temporarily, and are certain you can roll over the full amount within 60 days.

Should You Roll Over Money From an Employer Plan to an IRA?

In general, you can keep your money in an employer’s plan until you reach the plan’s normal retirement age (typically age 65). But if you terminate employment before then, should you keep your money in the plan (or roll it into your new employer’s plan) or instead make a direct rollover to an IRA?

There are several reasons to consider making a rollover. In contrast to an employer plan, where your investment options are limited to those selected by your employer, the universe of IRA investments is almost unlimited.

Similarly, the distribution options in an IRA (especially for your beneficiary following your death) may be more flexible than the options available in your employer’s plan.



On the other hand, your employer’s plan may offer better creditor protection. In general, federal law protects your total IRA assets up to \$1,171,650 (as of April 1, 2010)—plus any amount you roll over from a qualified employer plan—if you declare bankruptcy.

(The laws in your state may provide additional protection.) In contrast, assets in an employer retirement plan generally enjoy unlimited protection from creditors under federal law, regardless of whether you’ve declared bankruptcy.

Rollover Guide

Use this rollover guide to help you decide where you can move your retirement dollars. Jerry K. Ask Investment Services can also help you navigate the rollover waters. Keep in mind that employer plans are not legally required to accept rollovers. Review your plan document.

Rollover From:	Rollover To:							
	Traditional/SEP-IRA	Simple IRA	Roth IRA	Qualified Plan (Incl. 401(k))	Roth 401(k), 403(b), 457(b)	403(b) Plan	Governmental 457(b)	
Traditional/SEP-IRA (Taxable) ^{1,2}	Yes	No	Yes ³	Yes ⁷	No	Yes	Yes ⁹	
Traditional IRA (Non-Taxable) ^{1,2}	Yes	No	Yes ⁴	No	No	No	No	
Simple IRA ¹	Yes ⁵	Yes	Yes ^{3,5}	Yes ^{5,7}	No	Yes ⁵	Yes ^{5,9}	
Roth IRA ¹	No	No	Yes	No	No	No	No	
Qualified Plan-incl.401(k) (Taxable) ^{6,7}	Yes	No	Yes ¹¹	Yes	No	Yes	Yes ⁹	
Qualified Plan-incl.401(k) (Non-Taxable) ^{6,7}	Yes	No	Yes	Yes ⁸	No	Yes ⁸	No	
Roth 401(k) Account ^{6,7,12}	No	No	Yes	No	Yes ¹⁰	No	No	
Roth 403(b), 457(b) Account ^{6,12}	No	No	Yes	No	Yes ¹⁰	No	No	
403(b) Plan (Taxable) ⁶	Yes	No	Yes ¹¹	Yes ⁷	No	Yes	Yes ⁹	
403(b) Plan (Non-Taxable) ⁶	Yes	No	Yes	Yes ⁸	No	Yes ⁸	No	
Governmental 457(b) ⁶	Yes	No	Yes ¹¹	Yes ⁷	No	Yes	Yes	

Some distributions can't be rolled over including, required minimum distributions, certain annuity or installment payments, hardship withdrawals, corrective distributions of excess contributions and deferrals.

1. Required distributions and nonspousal death benefits can't be rolled over.
2. In general, if you make a tax-free rollover from a traditional IRA, you can't make another tax-free rollover from that same IRA for one year. This does not apply to direct (trustee-to-trustee) rollovers.
3. Taxable conversion.
4. Non-Taxable conversion.
5. Only after employee has participated in Simple IRA plan for two years.
6. Required distributions, certain periodic payments, hardship distributions, corrective distributions, and certain other payments cannot be rolled over; nonspousal death benefits can be rolled over only to an inherited IRA, and only in a direct rollover.
7. May result in loss of qualified plan lump-sum averaging and capital gain treatment.
8. Direct (trustee-to-trustee) rollover only; receiving plan must separately account for the after-tax contributions and earnings.
9. 457(b) plan must separately account for rollover—10% penalty on payout may apply.
10. Nontaxable dollars may be transferred only in a direct (trustee-to-trustee) rollover.
11. Taxable dollars included in income in the year rolled over.
12. 401(k), 403(b), and 457(b) plans can also allow participants to roll over (convert) eligible rollover distributions of non-Roth funds to Roth if certain requirements are met.

“For 30 years, interest rates had declined and fixed income was the safe part of the portfolio.

Now fixed income is becoming something you have to be more active in.”

—Rick Rieder,
BlackRock,
CIO of Fundamental Fixed Income
WSJ-03/11/13

“Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria.”

—Sir John Templeton
Franklin Templeton Investments

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Can You Answer “YES” to Any of These Questions?

1. Do you have money in a 401(k) with a former employer?
2. Do you have money in an IRA that you are unhappy with?
3. Do you have money in a 401(k), are 59 1/2 and wish you had someone helping you manage the account?



If you can, **call Jerry K. Ask Investment Services at (319) 395-9230.**
We specialize in assisting clients with IRA/401(k) rollovers.

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