

# TRANSFERS & ROLLOVERS

## Moving your retirement funds

There are several ways to move your retirement funds and keep the assets tax deferred. When moving your IRA or employer sponsored retirement plan (Qualified Plan) you have the following choices:

- Direct Transfer
- Rollover
- Direct Rollover

### Direct Transfers

---

A Direct Transfer can only occur between similar retirement plans, such as IRA to IRA, or Qualified Plan to Qualified Plan. A transfer cannot be made between a Qualified Plan and an IRA.

An IRA to IRA transfer is a way of moving funds tax free, from custodian to custodian, or trustee to trustee. The transaction is handled directly by the distributing and receiving financial organizations. The funds are payable directly to the receiving financial organization for the benefit of the account holder. The account owner is not limited to the number of Direct Transfers they can complete within a twelve month period. Transfers are not considered a distribution to you and not reportable to the IRS.

Transfers can occur in the following circumstances:

- Traditional IRA to Traditional IRA (includes SEP)
- Roth IRA to Roth IRA
- Qualified Plan to Qualified Plan
- SIMPLE IRA to SIMPLE IRA

IRS regulations do allow Required Minimum Distributions (RMD) to be transferred from one retirement plan to another. If the RMD is not withdrawn by the end of the calendar year, the IRA owner is subject to a 50% IRS penalty on the amount of the RMD.

### Rollovers

---

A Rollover is another method of moving funds from one retirement plan to another. There are several different types of Rollovers, all with the funds paid directly to the account holder. A Rollover must be completed within 60 days to avoid any penalties or taxes from the Internal Revenue Service. Rollovers can occur between IRAs and Qualified Plans. The following are examples:

- Traditional IRA to Traditional IRA (includes SEP) - Limited to one Rollover within a 12 month period.
- Roth IRA to Roth IRA - Limited to one Rollover within a 12 month period.

- Simple IRA to Simple IRA - Limited to one Rollover within a 12 month period.
- Simple IRA to Traditional IRA - Limited to one Rollover within a 12 month period. Rollover not allowed during the first 2 years of participation in the Simple IRA.
- Traditional IRA to Roth IRA Conversion
- Simple IRA to Roth IRA Conversion - Not allowed in the first 2 years of participation in the Simple IRA.
- Qualified Plan to Traditional IRA
- Qualified Plan to Roth IRA

When making a Conversion from a Traditional IRA or Simple IRA to a Roth IRA or for a Rollover from a Qualified Plan to a Roth IRA, you must pay income tax on the Pre-tax amounts in the tax year of the Rollover/Conversion.

Qualified plans under Internal Revenue code include 401(k) plans, Tax Sheltered Annuities, 403(b) and 457(b) government deferred plans. Funds paid out from a Qualified Plan directly to the account holder are subject to mandatory 20% federal income tax withholding. IRS regulations do not allow you to Rollover any RMD due in the tax year of the Rollover.

### Direct Rollovers

---

A Direct Rollover can occur when a Qualified Plan distribution is paid directly to the receiving financial organization for the benefit of the account holder's IRA. The funds are not negotiable by the account holder and therefore not subject to the 20% mandatory federal income tax withholding.

Most assets in Qualified Plans are eligible for Direct Rollover to an IRA. In certain circumstances, IRA assets may be eligible for Direct Rollover to a Qualified Plan. Unlike Direct Transfers, Rollovers and Direct Rollovers are reported to the IRS. You will be required to include this movement of retirement funds when filing your income tax return.

As the account owner, you are responsible for making sure the funds are moved in the correct manner and on a timely basis. The account owner is liable if any tax consequences apply, therefore we advise you to seek guidance from a competent tax advisor. If you would like more information go to [www.irs.gov](http://www.irs.gov) Publication 590.

