IRA Rollovers—
Consolidate Your Assets

If you are making a career move or getting ready to retire, you may be eligible to receive a retirement plan payout. If you simply take the payout, you'll owe income taxes on the distribution, and possibly an early withdrawal penalty as well. Rolling the distribution into an individual retirement account (IRA) may be a far better choice.

Why roll your funds into an IRA? For one thing, you'll continue to benefit from tax deferral. For another, you may have more investment options to choose from than your current plan offers. And, if you have an existing IRA or additional accounts in other employer-sponsored plans, a rollover IRA allows you to consolidate and streamline your retirement assets in a single, easy-to-manage account.

Tax Deferral Is an Important Benefit

By rolling over your distribution and postponing income taxes, you'll have more money available for investment. And you'll continue to benefit from potential tax-deferred growth on your rollover IRA investments. You'll pay income taxes only when you withdraw funds from your IRA Over several years, the benefits of continuing tax deferral can make a big difference.

You can accomplish a tax-deferred rollover in two ways: by arranging for a trustee-to-trustee transfer (a "direct rollover") *or* by receiving the plan distribution and rolling it over to an IRA within 60 days.

Arranging a Direct Rollover

A direct rollover is generally the least complicated choice. You simply inform the administrator of your retirement plan that you want your funds transferred into the IRA you've established. In addition to simplicity, this approach offers another significant advantage: No tax withholding applies to distributions that are rolled over in a direct trustee-to-trustee transfer.

A Word on Roth Rollovers

If your retirement plan allows Roth (after-tax) contributions and you are receiving a distribution of Roth contributions and related earnings from the plan, you may roll those funds over to a Roth IRA. It's also possible to have a taxable distribution from a qualified plan transferred into a Roth IRA in a direct rollover. Unlike the rollover options discussed earlier, however, a direct rollover of a taxable distribution from a retirement plan into a Roth IRA is *not* tax free. It will have immediate income-tax consequences.

Consolidating Your Retirement Assets

If you have multiple retirement accounts, consolidating your assets into a single rollover IRA can make it easier for you to keep track of your money and manage your investments. You may incur fees and charges when rolling over multiple accounts to a single IRA.

However, with a single account, you'll be better able to see the big picture and guard against unwanted investment overlap. Reviewing your portfolio's asset allocation and periodically rebalancing your portfolio will also be a lot easier. You'll receive one account statement instead of several, saving you time and effort. What's more, with a single account, it only takes one call to one place when you have questions or concerns about your retirement savings.

Retirement Presents New Financial Challenges

When you are ready to retire, the funds in your rollover IRA will serve as a financial resource you can use to supplement your other retirement income. You'll want to review your investment strategy and determine a tax-smart way to manage your retirement assets. It may make sense to seek out professional advice for guidance on preserving your assets and keeping income taxes and potential estate taxes to a minimum.

We'd be happy to discuss IRA rollovers with you in more depth and answer any questions you may have. Please contact us for planning assistance.

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