

## 1. What is the difference between a direct and indirect rollover?

The difference between an indirect rollover and a direct rollover is that with an **indirect rollover**, the funds are distributed directly to you and then you are responsible for forwarding the funds to your new custodian. The IRS requires that you complete the rollover of funds to your new custodian within 60 calendar days, otherwise, the distribution is treated as a taxable distribution. An important note: if you elect an indirect rollover from a 401k plan, the plan administrator is required to withhold 20 percent for federal income tax. This means when you rollover the amount distributed from your 401k into your IRA, you must make up the 20 percent that was withheld, otherwise, the 20 percent withheld is treated as a taxable distribution. There is no mandatory 20 percent withholding for indirect rollovers between IRA accounts.

With a **direct rollover**, you never take physical receipt of the funds. The funds are paid directly from your 401k plan directly to your IRA without any taxes being withheld; therefore, there is not a mandatory 20 percent withholding. Moreover, the IRS does not limit the number of direct rollovers you can do in one year.

## 2. Are rollovers a reportable event to the IRS?

Rollovers are a reportable event to the IRS; however, a properly completed rollover (direct or indirect) is not a taxable event.

## 3. Can I complete an IRA-to-IRA rollover if I have already completed an IRA-to-IRA rollover this year?

No, the IRS only allows you to complete one IRA-to-IRA rollover per twelve months. However, you may make as many trustee-to-trustee transfers between your IRA accounts as you want.

## 4. I have received an IRA distribution. How long do I have to roll that over?

The IRS gives you 60 calendar days to deposit your distribution into another (or the same) IRA before it is considered a taxable distribution, assuming you have not already made an IRA-to-IRA rollover within the past 12 months.

## 5. Can I rollover an employer sponsored retirement plan to a Traditional IRA?

As long as you have met a triggering event (an event that makes you eligible to make a withdrawal from your qualified plan), you may roll your funds out of your employer sponsored plan into an IRA account.

Triggering events generally include:

- Reaching retirement age (defined by your plan)
- Termination from service
- Plan termination
- Disability
- Death

Triggering events differ from plan to plan. For specifics on your employer's plan you must inquire with your plan administrator.

## 6. Can I rollover an employer sponsored retirement plan to a Traditional IRA?

If I elect to receive my qualified retirement plan rollover distribution prior to placing it in an IRA (indirect rollover), will the plan administrator withhold any of my distribution for tax purposes?

If you elect to take constructive receipt of a distribution from a qualified retirement plan (indirect rollover) instead of having the funds sent directly to your IRA, the plan administrator is required to withhold 20 percent for federal income tax. The IRS gives you 60 calendar days to complete your rollover. When you roll over your distribution, you must make up the 20 percent that was withheld, otherwise, the 20 percent withheld is treated as a taxable distribution.

**7. What is a distribution?**

The term “**distribution**” is used to denote the withdrawal of cash and/or assets from a retirement plan or IRA. An IRA distribution can be taken at any time, though the IRS imposes a 10% premature distribution penalty if the distribution is taken before the account holder reaches the age of 59 ½ and the distribution does not meet one of the early distribution exceptions allowed by the IRS. Distributions are reported to the IRS and are considered taxable income if the funds were distributed from a pre-tax account.

**8. At what age am I required to take a distribution?**

You must begin taking Required Minimum Distribution (RMD) payments from your pre-tax IRA or retirement plan when you reach age 70 ½. The IRS allows you to delay your first RMD payment until April 1st of the following year. RMDs must be taken by December 31st each year thereafter. Roth IRAs do not require RMD payments until after the account holder is deceased.

**9. At what age can I start taking distributions?**

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**10. Do I have to pay taxes and/or penalties when I rollover cash to my self-directed Traditional IRA from another 401k, 403(a), 403(b), or 457(b)?**

If you want to avoid paying taxes and/or penalties when rolling over funds from a tax-deferred, employer sponsored retirement plan to your self-directed IRA, the best option is to request a direct rollover. With a direct rollover, you never take physical receipt of the funds. The funds are moved from your 401k plan directly to your IRA without any taxes being withheld.

**11. Do I have to pay taxes and/or penalties when I rollover cash to my self-directed Roth IRA from my Traditional IRA?**

You are not required to have taxes withheld when you convert your pre-tax Traditional IRA funds to your Roth IRA. However, the converted funds will be reported to the IRS as taxable income in the year the conversion takes place. If you elect not to have withholding applied to your conversion, or if you do not have enough federal income tax withheld from your conversion amount, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient.

**12. Why is the IRS Form 5498 issued in May and not before tax filing deadline?**

The IRS allows IRA and HSA account holders to continue making contributions until April 15th and have them apply to the previous tax year. Plan administrators and custodians have until May 31st to distribute Form 5498 to the IRS as well as to account holders. This delay is to ensure that all contributions made to your account are accurately reported to you and the IRS.