Move your retirement savings without losing tax benefits.

When moving money between your IRAs and retirement plans, be sure you understand the rules.

Your retirement savings accounts are portable.

- IRA-to-IRA
- IRA-to-retirement plan
- Retirement plan-to-IRA
- Retirement plan-to-retirement plan

There are many reasons for moving your retirement assets to another retirement savings account. Perhaps you've left a job, your financial circumstances have changed, or you're looking for ways to better maximize your retirement savings. Whatever the reason, there are portability options available. Some preserve the tax-deferred nature of your assets, and some may have tax consequences.

Consider visiting with your competent tax or financial advisor about what's best for your financial situation before moving your IRA or retirement plan money.

656-EB (11/2024) ©2024 Ascensus, LLC

Three methods are available to move your retirement savings from one account to another.

Portability between retirement savings accounts depends on the type of assets, where they are coming from, where they are going, and how they are getting there.

Transfer

If you want to move assets between two like IRAs, the simplest and least restrictive way to do so is through a transfer. A transfer is a direct movement of assets from one IRA to another IRA. Transferring assets prevents you from actually receiving the money when it comes out of the IRA, so the transaction is not taxable and is not reported to the IRS.

A transfer may occur between two Traditional IRAs (including those with SEP plan contributions), two Roth IRAs, two SIMPLE IRAs, and between a SIMPLE IRA* and a Traditional IRA. The IRS does not place restrictions on when or how often you can transfer IRA assets.**

Rollover

Between IRAs

Another way to move assets between two like IRAs and between Traditional and SIMPLE IRAs* is a rollover.

Unlike a transfer, a rollover between IRAs is not a direct transaction. It starts as a distribution from the IRA that is payable to you as the IRA owner, giving you the option of keeping the assets or rolling them over. If you choose not to roll them over, you must include in your taxable income any taxable amounts for the year of the distribution. If you decide to roll over the distribution, you generally must do so within 60 calendar days of receiving the IRA distribution to avoid paying taxes on the distributed amount. Whether you keep the assets or roll them over, the IRA distribution is reported to the IRS.

Twelve months must pass from the date of the IRA distribution that was rolled over before you can complete another IRA-to-IRA rollover.**

Between IRAs and Retirement Plans

A rollover is also a way to move assets between IRAs and employer-sponsored retirement plans.

- Pretax assets in Traditional IRAs may be rolled over to eligible retirement plans (after-tax Traditional IRA assets may not).
- SIMPLE IRA assets* may be rolled over to eligible retirement plans.
- Assets from eligible retirement plans may be rolled over to Traditional IRAs, Roth IRAs, and SIMPLE IRAs*.
- Retirement plan designated Roth account assets may be rolled over to Roth IRAs (or to other retirement plan Roth accounts), not to Traditional or SIMPLE IRAs.

Eligible retirement plans include qualified retirement plans (such as 401(k)), 403(b) tax-sheltered annuity plans, governmental 457(b) plans, and the federal Thrift Savings Plan.

The money rolled over between Traditional or SIMPLE IRAs and retirement plans remains tax-deferred until distributed, while pretax money rolled over to Roth IRAs generally is taxable in the year of the rollover.

Before rolling over retirement plan assets, you must

1) satisfy one of the plan's "triggering events" for taking money out of the plan, such as normal retirement age or termination of employment, and
2) ensure that the amount you want to roll over is eligible for rollover.

Rollovers between retirement plans and between retirement plans and IRAs can be done directly or indirectly. With a direct rollover, the assets pass from the distributing account directly to the receiving account. Thus, you generally avoid paying current taxes (unless rolling over to a Roth IRA) and IRS penalties.

With an indirect rollover, the assets pass from the distributing account to you before being rolled over. The distributing plan must withhold 20 percent of the taxable portion of the distribution, and you must include that amount in your taxable income for the year and pay an early distribution penalty tax if you're under age 59½ and do not have a penalty tax exception. To avoid taxes, you can make up the withheld amount out of pocket and deposit it with the rest of your plan distribution, generally within 60 days.

Unlike IRA-to-IRA rollovers, there is no 12-month restriction on rollovers between retirement plans or between IRAs and retirement plans.

*After the SIMPLE IRA two-year waiting period

**At the time of this writing, additional guidance had not been released to address the distribution rules and portability rules of Roth SEP and SIMPLE contributions.

Continued on next page.

Conversion

A conversion is a way to move assets from a Traditional or SIMPLE IRA to a Roth IRA and can be done directly or indirectly. Like a rollover, an indirect conversion generally must be completed within 60 days. Either way, the conversion is reported to the IRS, and you must include any converted pretax amounts in your taxable income for the year of the conversion. Once assets are converted to a Roth IRA, you cannot move the assets back to the Traditional or SIMPLE IRA.

If you withdraw your converted assets within five years, a 10 percent early distribution penalty tax generally applies unless you have a penalty tax exception.

Keep in mind that certain distributions you receive from your Traditional or SIMPLE IRA cannot be converted: required minimum distributions (RMDs), substantially equal periodic payments, and excess contributions.

For More Information

We'd be happy to answer your IRA and retirement plan portability questions.