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Guide to IRA rollovers

An IRA rollover is often promoted as a straightforward transaction that can help simplify retirement planning.

But rollovers have pros and cons that can affect your long-term path toward retirement. It's important to look before you leap and discuss options with your financial professional. This reference guide will provide a brief overview of things to consider before deciding whether to roll over your retirement assets.

See if rolling over can move you to a better place

There are many benefits to rolling money from an employer-sponsored retirement plan to an IRA. Here are some of the reasons a rollover might make sense:

You have more than one retirement account. Consolidation of accounts can help you manage your money in one place.[1]

Your plan has limited investment options. You can expand your investment options to include annuities.[2]

Your plan does not offer a retirement income program. IRAs can provide guaranteed lifetime income and other income options.[3]

Your plan has limited beneficiary planning options. IRAs can offer customized restricted beneficiary options.

You may need or want to access your retirement assets prior to age 59½.[4] IRAs offer additional exceptions to avoid the 10% federal tax on pre-59½ withdrawals – with exceptions for health insurance premiums while unemployed, qualified higher education expenses, and first-time home buyers.

[1] When considering consolidation of retirement plan accounts, be sure to consider all of your available options and the applicable fees and features of each option.

[2] Variable annuity fees and charges include mortality and expense risk fee and administrative charge, surrender charges, annual fee, and investment option management fees. Additional fees may apply to optional benefits, including living benefits, if selected. There is no additional tax-deferral benefit derived from placing IRA or other tax-qualified funds into an annuity. Features other than tax-deferral should be considered in the purchase of a qualified annuity.

[3] All guarantees are based on the claims-paying ability of the issuing insurance company.

[4] Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, a 10% additional federal tax may apply.

Not insured by FDIC or any federal government agency. May lose value. Not a deposit of or guaranteed by any bank.

Why an IRA rollover might not be right for you, right now

While there are many benefits to rolling money over to an IRA from an employer-sponsored retirement plan, there are also several reasons why a rollover might not be right for you, right now, based on your personal circumstances. Here are some things to consider before rolling over your retirement plan:

Did you separate from service at or after age 55? There is an exception to the 10% additional federal tax on pre-59½ withdrawals for employees who separate from service during or after the year in which they attain age 55. This exception does not apply to IRAs.

☐ Yes ☐ No ☐ Not certain
Comment:

Do you plan on working past age 73? If you continue to work past age 73, you may be eligible to defer required minimum distributions (RMDs) on qualified plan assets attributable to the current employer's plan. (Please note: If the participant is a 5% owner in the company sponsoring the plan, he or she is not allowed to defer RMDs beyond age 73.)

☐ Yes ☐ No ☐ Not certain
Comment:

Will you need a loan? Your employer-sponsored retirement plan may have a loan feature. Loans are not permitted from IRAs. A retirement loan reduces the available amount to withdraw or roll over, and needs to be repaid before you separate from service to avoid creating a distribution.

☐ Yes ☐ No ☐ Not certain
Comment:

Were the plan assets awarded via a divorce? There is an exception to the 10% additional federal tax on pre-59½ withdrawals for an ex-spouse who received qualified plan assets as an alternate payee under a Qualified Domestic Relations Order (QDRO). This exception does not apply to IRAs.

☐ Yes ☐ No ☐ Not certain
Comment:

Is your employer-sponsored plan a governmental 457 plan? Governmental 457 plans are not subject to the 10% additional federal tax on pre-59½ withdrawals unless withdrawals are attributable to rollover contributions from a qualified plan.

☐ Yes ☐ No ☐ Not certain
Comment:

Do you have a SIMPLE plan? Assets rolled over from a SIMPLE plan to an IRA within the first two years of plan participation may be subject to a 25% additional federal tax on withdrawals unless an exception applies.

☐ Yes ☐ No ☐ Not certain
Comment:

Are you concerned about bankruptcy or other creditors? Employer-sponsored plans may offer greater creditor protection. Check with your attorney.

☐ Yes ☐ No ☐ Not certain
Comment:

Do you have employer securities in your retirement plan? A special tax treatment can be applied if employer securities are distributed as part of a lump sum distribution from the retirement plan. The net unrealized appreciation (NUA) can be treated as a long-term capital gain.

☐ Yes ☐ No ☐ Not certain
Comment:

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Some employer-sponsored plans allow you to roll over retirement plan assets while you're still employed. You will want to review your employer's Summary Plan Description (SPD) for additional information. Assets rolled over from a previous plan may in some instances be accessed without a triggering event. Other triggering events may be available, check with your plan for details.

Rollovers and transfers may be subject to differences in features and expenses. Indirect transfers may be subject to taxation and penalties. Consult your tax advisor regarding your situation.

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