



Rollovers from Employer-Sponsored Retirement Plans

Definition

A rollover is a tax-free transfer of assets from a retirement plan to either a traditional IRA or another employer's retirement plan. Rollovers generally come from 401(k) plans and other types of defined contribution plans. If a rollover is done properly and all rules are followed, there will be no taxes or penalties.

Requirements

- You have funds in an employer-sponsored retirement plan (generally a defined contribution plan)
- You are entitled to take a distribution from your plan
- You have a traditional IRA to receive the funds, or another employer-sponsored retirement plan that accepts rollovers

Types of Rollovers

Rollovers from an employer-sponsored retirement plan can take one of these forms:

- A transfer from your retirement plan directly to an IRA trustee or to the trustee of the retirement plan at a new employer
- A transfer from your retirement plan to you, and then, within 60 days, from you to an IRA trustee or to the trustee of a retirement plan at a new employer

Advantages

- A rollover is not a taxable distribution
- A rollover allows continued tax-deferred growth of funds

Disadvantages

- You cannot roll over certain amounts
- Indirect rollovers are subject to 20 percent mandatory tax withholding

How to Do a Rollover

- Consult your old plan administrator and (if applicable) the new plan administrator
- Consult a tax advisor to make sure a rollover is the right option for you



- Review the notice from your plan administrator explaining rollover rules and other issues
- Decide between a direct rollover and an indirect rollover, and make the necessary arrangements
- Obtain your spouse's consent, if required
- Make sure that a properly made out check is sent from your old plan to the appropriate destination
- If you receive the funds personally, be sure to roll them over within 60 days to avoid taxes and penalties

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