

The IRA Authority

IRA & Employer Plan Rules, News, and Tips In Plain Language

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Employer Plan to IRA Rollovers: 5 Key Facts You Should Know

According to a recent publication by the Investment Company Institute (ICI), *“More than half of Traditional IRA-owning households indicated that their IRAs contained rollovers from employer-sponsored retirement plans. Among households with rollovers in their Traditional IRAs, 89 percent indicated they had rolled over all their retirement plan assets in their most recent rollover.”* This trend presents an outstanding opportunity for you to get a share of the more than \$9 Trillion available for rollover. To this end, we highlight five of the key facts about rollovers from employer plans, which you can share with clients.

1. Participant Must Meet Triggering Event

A common misconception about rolling over assets from employer plans to IRAs is that a participant is permitted to do a rollover at anytime she chooses. However, that is not usually the case. Instead, a participant must usually satisfy the plan’s triggering requirements (eligibility for making withdrawals) in order to initiate a rollover to an IRA.

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IRA Calendar:

May 31: Deadline for IRA Custodians/Trustees to issue IRS Form 5498.

Form 5498 is used to report various credits and values for IRAs. These include IRA Contributions, Rollover contributions, recharacterizations, SEP & SIMPLE IRA contributions, and fair market value (FMV), including FMV for the date of death of the IRA owner in certain cases.

Form 5498 is not issued for qualified plans, 403(b) plans or 457 plans. ■

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Special Provisions for Certain Members of the Armed Forces

While most us can either take a few hours off from work, or use our time-off from work to handle our financial matters, active serving members of the Armed Forces usually do not have that option. Instead, they usually have to wait until the end of their tour of duty, or handle it when they are on leave. As a result, special provisions are available to allow these individuals to conduct their financial affairs, including those related to retirement accounts.

The following are some of these special provisions for IRAs and employer plans.

▪ Extended Deadline for IRA Contributions:

The deadline for making IRA contributions is usually the individual’s tax filing due date. For most individual taxpayers that date is April 15. However, Armed Forces personnel receive an extension to that deadline. Under this extension, IRA contributions can be made by the later of:

- The last day the individual is in a combat zone, has qualifying service outside of the combat zone, or serves in a contingency operation; or

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