Retirement Plans Portability

Quick Reference Guide

Use this guide to determine whether assets can be moved between two types of retirement accounts, and get an overview of the general rules that apply to rollovers and transfers.

Is Movement Permitted from Delivering to Receiving Plans/Accounts?

	Receiving Plans: Traditional /SEP IRA	Roth IRA	SIMPLE IRA	Qualified Plan	Roth 401(k)/ Roth 403(b)	403(b)/ 457(b)[1]	ESA	529 Plan
Delivering Plans: Traditional /SEP IRA	Yes	Yes[2]	No	Yes[3]	No	Yes[3]	No	No
Roth IRA[4]	No	Yes	No	No	No	No	No	No
SIMPLE IRA[5]	Yes	Yes[2]	Yes	Yes[3]	[illegible]	Yes[3]	No	No
Qualified[6] Plan	Yes	Yes[7]	No	Yes	No	Yes	No	No
Roth 401(k)/ Roth 403(b)	No	Yes	No	No	Yes	No	No	No
403(b)/ 457(b)	Yes	Yes[7]	No	Yes[8]	No	Yes	No	No
ESA	No	No	No	No	No	No	Yes	Yes
529 Plan	No	No	No	No	No	No	No	Yes

Notes:

- All references to 457(b) means eligible governm[illegible](b) pl[illegible]
- Rollovers to qualified plans are permitted by regu[illegible] are o[illegible]al for each plan and allowed only if permitted under the plan document. Emplo[illegible] should chec[illegible] emplo[illegible] to determine if they can rollover assets to their accounts under a qualified p[illegible]ified plan includes [illegible](k), profit sharing and pension plans.
- After-tax assets can be rolled over [illegible] plans and 4[illegible] accounts to Traditional IRAs as direct rollovers or indirect rollovers. However, only [illegible] of these amounts are permitted between two qualified plans and/or a 403(b). After-t[illegible]ets cannot [illegible] an IRA to any retirement plan except another IRA.
- Movement between acc[illegible] the same [illegible] such [illegible]aditional/SEP IRA to Traditional /SEP IRA; Roth IRA to Roth IRA; can be done [illegible] transfers or 60-day rollovers. Transfers are usually the recommended option, as they leave less [illegible] and c[illegible]e done for an unlimited number of times. Whereas there can only one be[illegible]RA-to-IRA [illegible] during a 12-month period, such rollovers are associated with a high occurrence [illegible] errors. These [illegible] the 60-day deadline and the funds being deposited into the wrong acc[illegible].
- Generally, [illegible] transfers can be done between two qualified plans, if both plans are maintained by the same employ[illegible]

New information added: Beneficiary Portability Rules on page 2

[1] After-tax amounts m[illegible] be rolled over to a 457(b) plan

[2] As a Roth IRA conversion

[3] Cannot include after-tax amounts

[4] Contributions and conversions can be recharacterized from Roth IRAs to Traditional and SEP IRAs, and conversions from a SIMPLE IRA can be recharacterized to a SIMPLE IRA

[5] Assets from a SIMPLE IRA cannot be rolled over, transferred or converted to another type of retirement plan unless it has been at least two years since the first SIMPLE IRA contribution was made to the account.

[6] Qualified plan includes defined benefit, target benefit & money purchase pension; profit sharing and 401(k) plans.

[7] As a rollover. Some rules are similar to those that apply to 'Traditional-to-Roth IRA Conversion'

[8] A transfer can be made from a 457(b) or 403(b) plan to a governmental defined benefit plan for certain purchases of service credit.

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Retirement Account Related Terms are defined at www.retirementdictionary.com

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Rollover and Transfer Rules for Non-Spouse Beneficiaries

Type of Account you inherit	Types of Accounts to which the inherited account can be:		Important Reminders
	Transferred	Rolled-over	
Traditional IRA, SEP IRA	Traditional IRA, SEP IRA	None	• Applies to individuals, non-persons and qualified trusts beneficiaries
SIMPLE IRA	Traditional IRA, SEP IRA, SIMPLE IRA	None	• Applies to individuals, non-persons and qualified trusts beneficiaries • As there is no exception provided to the SIMPLE IRA 2-year rule, the beneficiary must ensure that the 2-year requirement is met before transferring the assets to an account other than another SIMPLE IRA. • Under the two-year rule, assets in a SIMPLE IRA cannot be moved to another type of retirement account until it has been at least two-years since the first SIMPLE IRA contribution was deposited to the SIMPLE IRA.
Roth IRA	Roth IRA	None	• Roth IRA orde[illegible]es apply • [illegible]e five-year pe[illegible]d for determining if a [illegible]stribution [illegible]ualified starts with when the ow[illegible]shed the Roth IRA. It does not re[illegible] with the beneficiary • Applies to individuals, non-persons and qualified trust beneficiaries
403(b)	403(b)	Traditional IRA, Roth IRA	• The rollover provision applies to individuals and qualified trusts. It does not apply to non-persons • It is mandatory for employers to allow non-spouse beneficiaries to rollover inherited assets from qualified plans, 403(b) and 457(b) plans to IRAs as of 01/01/2010. • The funds must be rollover eligible in order for the rollover to occur. Funds that are not rollover eligible cannot be rolled over to any type of IRA • Excluded from income if rolled-over to a Traditional IRA or SEP IRA • Included in income if rolled-over to a Roth IRA
457(b)	457(b)	Tradition[illegible]th IRA	
Qualified plan	Qualified plan	Traditional IRA, Roth IRA	

Notes:

- 'Transfer' means a non-r[illegible]able movement of assets from the delivering account to the receiving account. Generally, the transfe[illegible]omplished by means of an internal journal, or by delivery of the assets directly between two financial institutions. Transfers are non-reportable (not reported to the IRS and not reported on the individual's tax return) and non-taxable.
- 'Rollover' means that a 'distribution' was done from the delivering account and deposited to the receiving account as a rollover contribution. Distributions are reported on IRS Form 1099-R and rollovers are reported on IRS Form 5498. Since these must be done as 'direct rollovers', they are reportable but nontaxable.
- The receiving accounts must be 'inherited accounts'/'beneficiary accounts'. Non-spouse beneficiaries cannot transfer or rollover inherited retirement assets to their 'own' retirement accounts. Inherited IRAs must be maintained in the names of the decedent and beneficiary, and the tax identification number of the beneficiary. Tax reporting is done under the tax identification number of the beneficiary.
- Non-person beneficiaries include any beneficiary that is not a human being or a qualified trust. Examples include estates, charities, non-qualified trusts and schools.

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Frequently Asked Questions

Q: If I am a non-spouse beneficiary who inherits assets from a 401(k) plan, can I rollover distributions from the 401(k) plan that were paid to me?

A: No. Non-spouse beneficiaries cannot rollover amounts they receive as distributions from inherited retirement accounts. As such, if you want to rollover the amount to a Traditional IRA, SEP IRA or Roth IRA, you must ensure that it is done as a direct rollover.

Q: If I inherit my Aunt's 401(k) account, can I keep the assets in the account and stretch distributions over my life-expectancy?

A: It depends. In order to determine if that option is available to you, check with the Plan Administrator. Bear in mind that if your aunt died on or after her required beginning date, the life-expectancy over [illegible] you can stretch distributions is the longer of her life expectancy or your life expectancy. If she died before her [illegible] beginning date, then you would be able to stretch distributions over your life expectancy, if the 401(k) plan allows.

Q: I inherited my 65 year old Aunt's 401(k) account and the 401(k) plan does not allow me to stretch distributions over my life-expectancy; instead, they require that I distribute the amount within five-years. Is there any solution available to me, under which I could stretch distributions over my life-expectancy?

A: Yes. You can rollover the inherited amount to a Traditional IRA or [illegible] IRA that allo[illegible]u to [illegible]h distributions over your life expectancy. If the amount is paid to you, it is not el[illegible] cre[illegible] to another re[illegible] account. As such, you must ensure that the rollover is done as a direct-[illegible] di[illegible] rollover, the [illegible] are paid to the IRA Custodian/Trustee, for the benefit of your IRA. The IRA [illegible] be an in[illegible]ted IRA [illegible] [illegible]tered in your name and the name of your Aunt, and your social security number should [illegible] used f[illegible] tax repor[illegible]ses. Deadline Alert: In such a case, where the 401(k) does not allow the stretc[illegible] direct-[illegible] t be comp[illegible] by December 31 of the year that follows the year in which your Aunt died. If you miss [illegible]adline, [illegible] you must use the provisions under the 401(k) plan.

Q: What is a rollover contribution?

A: A rollover (or rollover contribution) [illegible]-deposit o[illegible] were [illegible]drawn from a retirement account, such as an IRA, qualified plan, 403(b) account o[illegible]lan, to [illegible] eligi[illegible]etirement account/plan. Distributions from these plans can also be rolled over to a Roth IRA. [illegible] typ[illegible] of ro[illegible] (1) indirect rollovers and (2) direct rollovers. The withdrawal for both types are reported on [illegible] Form [illegible] If the receiving account is an IRA, the rollover contribution is reported on IRS Form 5498.

Q: What is the difference between a direct rollover and an indirect rollover?

A: A direct rollo[illegible]udes two [illegible]tures. [illegible] [illegible]ually [illegible]olves a non-IRA retirement plan, such as a qualified plan, 403(b) account or 457[illegible] account on de[illegible]) end, and (ii) the distributed assets are payable to the receiving custodian/truste[illegible] other eligible re[illegible]ent plan, for the benefit of the participant. For instance, if the assets are being moved from a qu[illegible]d plan to an IRA, [illegible] following is an example of how the payment would be reflected on the instrument of payment *"IRA FBO John Brown, ABC as Custodian* or *ABC as Custodian for John Brown IRA"*.
With an indirect rollover, the asse[illegible] d[illegible]buted to the participant, who has up to 60-days after the date of receipt to rollover the amount to an eligible re[illegible]ment plan.

Q: What is a transfer?

A: A transfer is a non-reportable movement of assets, generally occurring between retirement accounts of the same type. For instance, from one Traditional IRA to another Traditional IRA. Assets are made payable to the receiving financial institution or plan for the benefit of (FBO) the participant. The term trustee-to-trustee transfer is sometimes used to refer to a 'transfer'. However, trustee-to-trustee transfer means the mode of delivery, where the funds are delivered and paid to the IRA Custodian or plan trustee FBO the owner, and therefore includes some reportable transactions such as direct rollovers and direct conversions.

Q: Is there a limit on the number of times I can make a trustee-to-trustee transfer between my Traditional IRAs?

A: No. Unlike rollovers between IRAs, there is no limit on the number of transfers between IRAs for any period.

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Q: Can I rollover a UK retirement account into my US retirement account?

A: No. Retirement plans from foreign countries cannot be rolled over to US retirement plans. The US Tax code does not allow assets to be rolled over into a US retirement plan, unless the assets are rollover-eligible assets from an eligible retirement plan. For this purpose, an eligible retirement plan is defined as (a) qualified plans, which can be categorized as either a defined-benefit plan or defined-contribution plan. Defined-contribution plans include money-purchase pension, profit-sharing, 401(k), and stock bonus plans (b) Annuity plans described under 403(a) (c) 403(b) Tax-Sheltered Annuity or Custodial Account (d) Governmental 457(b) Plans maintained by an eligible employer (e) Traditional IRAccount (f) Traditional IRAnnuity.

Q: I received $100,000 in rollover eligible assets from my 401(k) account, but had the amount paid to me. My employer withheld 20% for federal taxes, so I received only $80,000. I want to rollover the entire $100,000. Should my employer refund the amount that was withheld for taxes to me?

A: No. Generally, when rollover eligible assets are distributed from a quali[illegible] plan, 403(b) or 457(b) plan to the plan participant, instead of as a direct rollover to an eligible retirement plan, the [illegible] (plan sponsor) is required to withhold 20% for federal income tax, and if applicable, any state withholding tax. The am[illegible] that w[illegible] withheld should be remitted to the federal government as an advance payment of taxes on your behalf. If you wa[illegible]r the entire distribution amount of $100,000, you will need to make up for the amount withheld for t[illegible]es out of poc[illegible]ernatively, you may rollover only the $80,000 and treat the $20,000 as a regular distribution, which [illegible] then be tre[illegible] ordina[illegible] income on your tax return. If you were under age 59 ½ when the distribution occurred, you [illegible]we the IRS a[illegible]y di[illegible]tion penalty of 10% on any taxable portion that was not rolled over, unless an [illegible] app[illegible]. The withheld [illegible]ll either increase your federal tax refund or reduce federal taxes that you owe f[illegible] y[illegible] Gener[illegible], the rollover m[illegible] be completed within 60 days of you receiving the distribution. The amount that is [illegible]ly rolled [illegible] will b[illegible] and p[illegible]ty free.

The Portability Lingo		
Direct rollover	Distribution from a qualified /403(b)/457(b)/403(a) plan which is paid directly to a Traditional IRA, Roth IRA or other another eligible retirement account/plan, to which it is deposited as a rollover contribution.	• The distribution side is reported on IRS Form 1099-R. If the receiving account is an IRA, the [illegible]bution is re[illegible] 549[illegible]
Indirect rollover	Distribution from a qualified /403(b)/457(b) plan that is paid [illegible] the participant, and the participant later deposits [illegible] a Traditional IRA, Roth IRA or other [illegible] retirement account/plan as a rollov[illegible]	• [illegible] direct rollover, th[illegible] is no time limit on when the rollov[illegible] must be made, for IRS purposes. • For an indirect rollover, [illegible] rollover must generally be com[illegible]ted within 60-days after the particip[illegible] receives the distribution.
R[illegible]over	A redeposit of ass[illegible] w[illegible] [illegible]etirement plan/account by the [illegible] rollover can be the receiving side of a direct rollover, indirect rollover, or a redeposit of funds withdrawn from an IRA.	• Same reporting rules as direct and indirect rollovers • The rollover must generally be completed w[illegible] after the p[illegible] the distribution.
T[illegible]sfer	Generally refers to movement of assets between retire[illegible] accounts/plans of the same type. Such as Tr[illegible] Traditional IRA. The transaction is [illegible]portable	• [illegible] are paid directly to the receiving plan, IRA custodian.
Trustee-to-trustee t[illegible]	Refers to the 'means of [illegible] the assets are paid directly to the [illegible] Custodian/Trustee, employer [illegible] such as in the case of a Qualified Charitable [illegible]bution(QCD) where the funds are paid to the charity. With a trustee-to-trustee transfer, the funds can be given to the account owner to be further delivered to the Custodian/Trustee, employer plan, or entity, as long as the instrument is payable to the Custodian/Trustee, employer plan, or entity	• Assets are paid directly to the receiving plan, IRA custodian or entity such as a charity in the case of a QCD.

***Disclaimer:** Appleby Retirement Account Guides cannot be used as substitution for tax advice. Individuals must consult with their tax professionals for assistance with determining if a rollover is proper and/or beneficial. This information must not be construed as tax or legal advice and is not intended to be used for the purpose of avoiding tax and/or penalties that may be imposed by the IRS or any other regulatory body*

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