1, 2, 3, It's as Simple as Can Be

One of the many great features of IRAs is the amount of flexibility and control you have over your retirement savings. As an IRA owner, you control where your IRA funds are held and how they will be invested. Sometimes, this means moving your IRA funds from one provider to another. There are two methods from which to choose when moving IRA funds between providers.

Option #1: IRA-to-IRA Transfer
Option #2: IRA-to-IRA Rollover

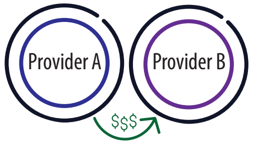
Let's take a closer look at both options.

Learn more today.

#204 (20-01)

IRA TRANSFERS AND ROLLOVERS

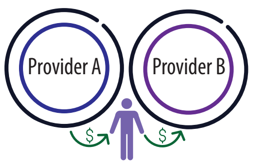
IRA-TO-IRA TRANSFERS



An IRA-to-IRA transfer is generally the simplest way to move money between IRAs. When you initiate a transfer, you're instructing one provider (Provider A) to send your IRA funds directly to another provider (Provider B). Because your IRA funds are not distributed to you in a transfer transaction (i.e., the funds go directly from Provider A to Provider B), the sending and receiving providers are not required to report the transaction to the IRS. In turn, this means that you do not need to report the IRA transfer transaction on your income tax return.

Besides being the simplest way to move money between IRAs, there is no limit on the number or frequency of IRA transfers you may conduct during a given year.

IRA-TO-IRA ROLLOVERS



Another method for moving IRA funds from one provider to another is an IRA-to-IRA rollover. When conducting a rollover, IRA funds are distributed to you, and you are then responsible for redepositing the funds back into an IRA within 60 days. While some IRA owners prefer the rollover option because it provides them with access to their IRA funds for up to 60 days, there are important rules that must be followed—and, significant adverse tax consequences that can result if the rules are not followed.

Here are three important factors to keep in mind when considering an IRA-to-IRA rollover:

1. REPORTABLE TRANSACTION

Unlike transfers, which are not reported to the IRS, rollovers must be reported to the IRS (by the distributing IRA provider, by the receiving IRA provider, and by the IRA owner).

2. 60-DAY TIME LIMIT

Once you take distribution of funds from your IRA, you generally have 60 days within which to redeposit the funds to an IRA. As a general rule, if you do not redeposit the IRA funds within this 60-day timeframe, you forfeit the rollover option (meaning you must treat the distribution as a normal or early distribution which may be subject to taxes and penalties).

3. 12-MONTH RESTRICTION

Unlike transfers (for which there is no limit on number or frequency), you may only conduct one IRA-to-IRA rollover transaction within a 12-month period. For example, if you take an IRA distribution on June 15th of this year (Distribution #1) which you subsequently roll over within 60 days, you cannot roll over any other IRA distributions taken during the 12-month period following Distribution #1. Violating this 12-month rollover restriction can result in significant tax and penalty consequences.

MOVING IRA FUNDS

When it comes time to move your IRA from one provider to another, it's nice to know you have options. While the rollover option provides you with access to your IRA funds for up to 60 days, there are more restrictions and the process is typically more complicated (e.g., you must report the transaction on your tax return). The transfer option, on the other hand, is typically less cumbersome because your IRA funds are directly transferred from one IRA provider to another.

Fortunately, moving your IRA from one provider to another doesn't have to be complicated or time consuming. When it comes time to move your IRA funds, just be sure to know your options so you can choose the method that makes the most sense for you based on your goals and objectives.