



# IRA Rollovers

Consolidate Your Assets

Your promotional imprint here  
and/or back cover.



**ABC Company**  
**123 Main Street**  
**Anywhere, USA 12345**  
**[www.sampleabccompany.com](http://www.sampleabccompany.com)**  
**1-800-123-4567**

If you are making a career move or getting ready to retire, you may be eligible to receive a retirement plan payout. If you simply take the payout, you'll owe income taxes on the distribution, and possibly an early withdrawal penalty as well. Rolling the distribution into an individual retirement account (IRA) may be a far better choice.

Why roll your funds into an IRA? For one thing, you'll continue to benefit from tax deferral. For another, you may have more investment options to choose from than your current plan offers. And, if you have an existing IRA or additional accounts in other employer-sponsored plans, a rollover IRA allows you to consolidate and streamline your retirement assets in a single, easy-to-manage account.

### **Tax Deferral Is an Important Benefit**

By rolling over your distribution and postponing income taxes, you'll have more money available for investment. And you'll continue to benefit from potential tax-deferred growth on your rollover IRA investments. You'll pay income taxes only when you withdraw funds from your IRA. Over several years, the benefits of continuing tax deferral can make a big difference.

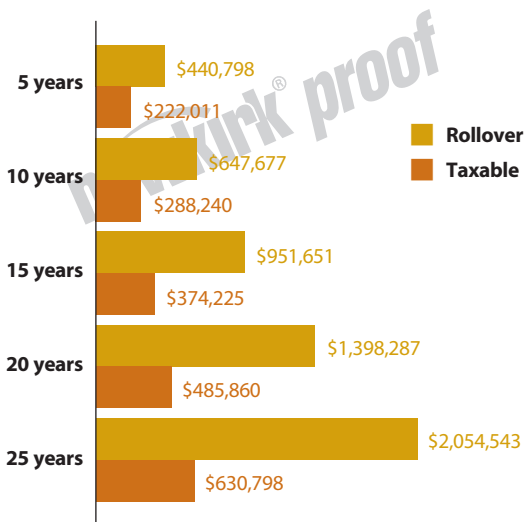
You can accomplish a tax-deferred rollover in two ways: by arranging for a trustee-to-trustee transfer (a "direct rollover") or by receiving the plan distribution and rolling it over to an IRA within 60 days.

### **Arranging a Direct Rollover**

A direct rollover is generally the least complicated choice. You simply inform the administrator of your retirement plan that you want your funds transferred into the IRA

## THE POWER OF TAX DEFERRAL

	Roll Over Funds to an IRA	Transfer Funds to a Taxable Account
Distribution amount	\$300,000	\$300,000
Minus income tax (33% federal income-tax bracket)	0	\$ 99,000
Minus early withdrawal penalty (10%)	0	\$ 30,000
<b>Total amount of transfer</b>	<b>\$300,000</b>	<b>\$171,000</b>



Assumes an 8% average annual total return in the IRA and a 5.36% after-tax return in the taxable account (tax rate of 33%). Taxes will be payable on amounts distributed from the IRA. Your investment return and tax bracket may be different.

Source: NPI

you've established. In addition to simplicity, this approach offers another significant advantage: No tax withholding applies to distributions that are rolled over in a direct trustee-to-trustee transfer.

## Delaying Your Rollover

If you happen to have a short-term need for cash, you may decide to take your distribution and roll it over later. With such a "delayed rollover," you can use the money for up to 60 days. However, the plan administrator will withhold 20% of the distribution for federal income taxes. This won't be a tax problem as long as you replace the 20% with funds from another source and deposit the full amount of the taxable distribution in a rollover IRA within 60 days. Your rollover will be tax free. The withheld taxes will offset your federal income-tax liability for the year of the distribution, and you can request on your tax return that any excess be refunded to you.

What happens if you don't make up the difference and instead roll over only the net amount you receive from the plan? In this situation, the withheld 20% will be considered a taxable distribution, subject to income taxes and a possible 10% penalty.

## A Word on Roth Rollovers

If your retirement plan allows Roth (after-tax) contributions and you are receiving a distribution of Roth contributions and related earnings from the plan, you may roll those funds over to a Roth IRA. It's also possible to have a taxable distribution from a qualified plan transferred into a Roth IRA in a direct rollover. Unlike the rollover options discussed earlier, however, a direct rollover of a taxable distribution from a retirement plan into a Roth IRA is *not* tax free. It will have immediate income-tax consequences.

## Consolidating Your Retirement Assets

If you have multiple retirement accounts, consolidating your assets into a single rollover IRA can make it easier for you to keep track of your money and manage your investments. You may incur fees and charges when rolling over multiple accounts to a single IRA.

However, with a single account, you'll be better able to see the big picture and guard against unwanted investment overlap. Reviewing your portfolio's asset allocation and periodically rebalancing your portfolio will also be a lot easier. You'll receive one account statement instead of several, saving you time and effort. What's more, with a single account, it only takes one call to one place when you have questions or concerns about your retirement savings.

## Retirement Presents New Financial Challenges

When you are ready to retire, the funds in your rollover IRA will serve as a financial resource you can use to supplement your other retirement income. You'll want to review your investment strategy and determine a tax-smart way to manage your retirement assets. It may make sense to seek out professional advice for guidance on preserving your assets and keeping income taxes and potential estate taxes to a minimum.

**We'd be happy to discuss IRA rollovers with you in more depth and answer any questions you may have. Please contact us for planning assistance.**

newkirk<sup>®</sup> proof

This publication is not to be considered legal, accounting, tax, or investment advice. The information is general in nature and may or may not be appropriate to you. Before applying anything you read to your personal or business situation, you should seek professional advice. This publication is an advertisement prepared by NPI for the use of the sender. The sender and NPI are unrelated companies. The content is not written or produced by the sender.

newkirk® proof

To order this booklet for  
your clients and prospects, please contact:



**newkirk®**

A DST Company

**15 Corporate Circle**

**Albany, NY 12203**

**800-525-4237**

**Fax 518-862-3355**

**[www.newkirk.com](http://www.newkirk.com)**

**[info@newkirk.com](mailto:info@newkirk.com)**

Need an order form?  
Call Newkirk today or download an order form  
at [www.newkirk.com](http://www.newkirk.com).