Tax-Smart Tips For MOVING IRA ASSETS

Tax laws prescribe certain rules that you must follow when moving IRA assets if you want to preserve the tax-qualified status of your savings and avoid additional tax. Here are 10 tax-smart tips for moving your IRA assets to another IRA.

1. TRANSFER BETWEEN SIMILAR IRAs

Transfers are not reported to the IRS. A direct movement of assets from IRA to IRA is called a transfer – not a rollover. Assets can be transferred between IRAs held by the same custodian or by two separate financial institutions.

2. TRANSFER TO THE SAME TYPE OF IRA

Moving your IRA assets to the same type of IRA they are coming from will avoid any tax consequences. This means moving assets from a Traditional IRA to a Traditional IRA, a SIMPLE IRA to a SIMPLE IRA, and a Roth IRA to a Roth IRA.

3. TRANSFERS ARE FLEXIBLE

You may choose to transfer the entire IRA balance or just a portion of the IRA, and you may transfer cash or property, depending on the type of investments the receiving custodian will hold. The IRS does not limit the timing or number of transfer transactions you may perform.

4. TRANSFER YOUR RMD

Because transfers are not considered distributions from the IRA, you may transfer any amount from IRA to IRA each year even if you have not yet satisfied your required minimum distribution (RMD). If you owe an RMD for the year, you must still take the payment on time, but you can take it from any of your Traditional or SIMPLE IRAs, depending on the liquidity of the IRA's investments.

5. MOVING ASSETS BETWEEN DISSIMILAR IRAs

Any movement between a Roth IRA and a Traditional IRA is not considered a direct transfer, and there are almost always tax consequences associated with the move.

6. BEWARE TAX CONSEQUENCES OF A ROLLOVER

In a rollover between IRAs, assets are distributed from one IRA, payable to you, the IRA owner. You then have the option of keeping the distributed assets or rolling over some or all of the distribution to another IRA or back into the same IRA. Distributions from Traditional and SIMPLE IRAs are generally pre-tax assets and taxable to you in the year you take them out of the IRA.

7. COMPLETE ROLLOVERS WITHIN 60 DAYS

If you deposit 100% of the amount distributed from your IRA within 60 days from the day you received the distribution, you will not owe any taxes on the distribution.

8. LIMIT ONE ROLLOVER PER 12 MONTHS

Because IRA owners are given the right to use their IRA assets for up to 60 days in a rollover transaction, the tax laws limit how often IRA owners may conduct an IRA rollover – once every 12 months.

9. ROLLOVER THE SAME ASSET

If you distribute assets from the IRA without liquidating it, only that same asset is eligible to be rolled over into an IRA. You generally cannot sell assets outside of the IRA and roll over the cash proceeds.

10. NOT ALL ASSETS CAN ROLLOVER

Most distributions from an IRA are eligible for rollover, but certain ones are not. Amounts that are distributed as an excess contribution are not eligible for a rollover. In addition, you cannot roll over an RMD. You may transfer your full or partial IRA balance even if an RMD is due (provided you take the RMD from the receiving IRA by the applicable deadline).

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