



# ED SLOTT'S IRA ADVISOR

© 2010 Ed Slott, CPA

October 2010

## TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

### \$525,000 IRA Rollover Mistake! No Relief on This IRA Rollover Error

A client lost \$525,000 from his IRA because he violated the strict “once-per-year” IRA rollover rule. He needlessly triggered a tax on \$525,000. Neither he nor his advisor or the fund company where he had his IRA knew to question his multiple rollovers.

You may be familiar with the 60-day rollover rule for IRAs and your clients may know about this rule, too. But few clients (and sadly, few advisors) know about the so called “once-per-year” IRA rollover rule for IRA-to-IRA (or Roth IRA-to-Roth IRA) rollovers.

A rollover occurs when funds are withdrawn from the IRA (or Roth IRA)

payable to the account owner and are deposited to another IRA (or Roth IRA) within 60 days, as opposed to a direct rollover (a/k/a a direct transfer or a trustee-to-trustee transfer) where the funds go directly to the new IRA without the client being able to use the funds. When money comes out of an IRA payable to the account owner (but not to a beneficiary), it must go back into a tax-advantaged retirement account within 60 days. Otherwise, the transaction will be treated as a distribution, subject to income tax and perhaps a 10% early withdrawal penalty.

After completing a rollover from an IRA account, clients may not make

### October IRA Deadlines

- 1** Last day to establish a SIMPLE plan for 2010
- 15** Last day to recharacterize 2009 Roth conversions
- 15** Last day to recharacterize 2009 IRA contributions or to withdraw unwanted 2009 contributions
- 15** Last day to withdraw prior year excess IRA contributions and avoid the 6% penalty for 2009
- 31** Last day for trustees of IRA trust beneficiaries who inherited in 2009 to provide documentation to IRA custodians or plan administrators

### WHAT'S INSIDE?

#### *\$525,000 IRA Rollover Mistake! No Relief on This IRA Rollover Error*

- Actual IRA Rollover Horror Story - The \$525,000 Mistake
- An Advisor's Worst Nightmare Client - "Jim, the IRA Rollover King"
- Rolling Funds Back into the Same IRA is Still a Rollover
- Even More Rollovers... ..From Even More IRAs
- IRA Rollover Timing is Everything
- Don't Count on IRA Custodians or IRS
- Avoiding Further Penalties - Excess IRA Contributions
- 60-Day Rollover Rules
- Advisor Action Plan

— Pages 1-5

#### *Guest IRA Expert*

**Natalie Choate, JD**  
**Nutter McClennen & Fish LLP**  
**Boston**

**Roth IRA Tactics That are Bound to Backfire**

— Pages 5-7