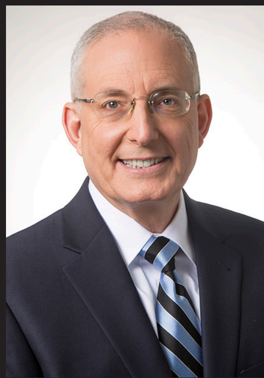

ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning For Your Retirement Savings

How the Once-Per-Year IRA Rollover Rule Works

Why is it important to know how the once-per-year rollover rule works? Well, that is because trouble with the once-per-year rule is the kind of trouble no one wants! A client who violates this rule is looking at some serious tax consequences. Here is what every advisor needs to know about this rule that can cause big problems for those who do not know all the details and pitfalls.

Fatal Error

The first thing to understand is that a mistake with the once-per-year rollover rule can result in the loss of a client's retirement savings. It is a fatal error with no remedy.

A mistake with the once-per-year rollover rule can result in the loss of a client's retirement savings.

If an IRA owner takes a distribution with the intent of rolling it over and discovers that she is ineligible to roll over the funds due to the rule, that distribution will be taxable to her. She will no longer have an IRA and will likely have a tax bill instead. The distribution will also be subject to the 10% early distribution penalty if the IRA owner is under age 59½. If she goes ahead and deposits the funds anyway, she will have an excess IRA contribution complete with all the penalties and headaches that go with it.

IRS Has NO Authority

What about the IRS? Well, the IRS will not be able to grant relief. This is because by law the IRS has no authority to waive this rule. The self-certification procedures set by Revenue Procedure (Rev. Proc.) 2016-47 allowing for relief when the 60-day deadline is missed do not apply to violations of the once-per-year rollover rule. A private letter ruling (PLR) request won't work either.

Do Direct Transfers

Why chance it? A good place to start is by avoiding 60-day rollovers whenever possible. If there is no 60-day rollover, then there is no once-per year rollover rule to worry about. *Then, how can clients move their retirement funds?* The best advice is to directly transfer the funds from one retirement account to another instead of the client taking a distribution payable to herself and then rolling it over to another

WHAT'S INSIDE?