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Nuts and Bolts: How to Roll Over Your Employer Retirement Plan Assets

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There are two types of rollovers: direct and indirect. A **direct rollover** is paid from your plan directly to your IRA or to your new employer's retirement plan. The funds are never payable to you. An **indirect (60-day) rollover** is a payment made to you that you later roll over to an IRA or an employer retirement plan.[1] When you request a distribution from your employer's 401(k), 403(b), or governmental 457(b) plan that's eligible for rollover, you'll receive a statement describing the tax rules applicable to your distribution and your rollover options.[2] You should read that statement carefully.

1. Direct rollover to a new employer's plan:

- Review your existing plan's distribution form for instructions on completing a direct rollover to another employer retirement plan.
- Contact the new plan's administrator and ask what it requires to accept a rollover.
- Your plan administrator will either transfer the funds directly to your new plan via check or wire transfer, or provide you with a check (payable to your new plan) to deposit into your account.

2. Direct rollover to an IRA:

- Review your existing plan's distribution form for instructions on completing a direct rollover to an IRA.
- You can use an existing IRA account or set up a new IRA account at the financial institution of your choice to accept the rollover.[3]
- Provide your IRA account number and other information to your plan administrator.
- Your plan administrator will either transfer the funds directly to your IRA via check or wire transfer, or provide you with a check (payable to your IRA) to deposit into your account.
- Contact your financial institution for assistance (most have rollover specialists who can guide you through the process).

3. Indirect (60-day) rollover:

- Have your plan administrator make the distribution to you.
- The plan administrator will either issue a check in your name or make a wire transfer to your bank account.
- If you are making an indirect rollover to an IRA, you can use an existing IRA account or set up a new IRA account at the financial institution of your choice to accept the rollover.[3]
- If you are making an indirect rollover to a new employer's plan contact the plan administrator and ask what it requires to

accept a rollover.

- Roll all or part of the funds over by the 60th day after the day you receive the distribution from your plan.[4]

[1] There are two major disadvantages to indirect rollovers. First, your plan is required to withhold 20% of the taxable portion of your payment for federal income taxes. You'll get credit for that amount when you file your federal income tax return, but if you want to roll over the entire distribution, you'll have to come up with the 20% that was withheld from other sources. Second, you run the risk of missing the 60-day deadline, which would make your distribution taxable. On the plus side, you'll have use of the funds for up to 60 days. In general, direct rollovers are the safer choice.

[2] You cannot roll over hardship withdrawals, required minimum distributions, substantially equal periodic payments, corrective distributions, and certain other payments. Nonspousal death benefits can be rolled over only to an inherited IRA, and only in a direct rollover or trustee-to-trustee transfer. You may have the option of leaving your funds in your employer's plan - consult your plan's terms.

[3] You do not need to set up a special "Rollover IRA" account (sometimes called a "conduit IRA") to receive your rollover, although some financial firms may require that you do so at least initially. (You can always transfer the funds to a different IRA account later.) While not required, in some cases a separate rollover IRA may be helpful if: (a) you think you may want to roll the taxable portion of your distribution back to an employer plan at some future date, or (b) you're concerned about protection from creditors, as funds rolled over from an employer plan (and any earnings on those funds) generally receive unlimited protection under federal law if you declare bankruptcy.

[4] The IRS may waive the 60-day requirement where the failure to do so would be against equity or good conscience, such as in the event of a casualty, disaster, or other event beyond your reasonable control. There are three ways to obtain a waiver of the 60-day rollover requirement: (a) you qualify for an automatic waiver, (b) you self-certify that you met the requirements of a waiver, or (c) you request and receive a private letter ruling granting a waiver. Consult a tax professional.

Note: If you receive employer stock or other securities as part of your distribution be sure to understand the tax consequences before making a rollover to an IRA. Your distribution may be entitled to favorable net unrealized appreciation (NUA) tax rules. Consult a tax professional.

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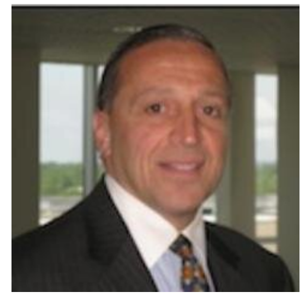

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