5 Ways to Avoid 60-Day Rollover Mistakes "Closed Captions"

Watch the video online at: www.richmondbrothers.com

Hi, I'm Steve Kulchinski, Associate Financial Advisor, with Richmond Brothers, and I am here today to provide our community with some general education about rolling over money to an individual retirement account, or IRA.

An IRA allows you to save for retirement with tax-free growth or on a tax-deferred basis.

Whether you're changing jobs, or you simply want to take advantage of the potential tax benefits, a traditional IRA or Roth IRA may be the best option for you, so make sure you keep listening!

As you may have heard, one method of rolling over funds to an IRA is called a "60-day rollover."

A 60-day rollover is simply the distribution of funds from a qualifying retirement account (think 401k, 457, 403(b), or SEP – just to name a few) to the account owner. The account owner then has 60 days to redeposit the funds into another qualifying retirement account.

Sure, this sounds very simple, but unfortunately, this complex rollover approach has room for a number of errors.

Here are 5 things you can do to help avoid costly mistakes before you initiate any retirement account moves!

1. ***Do trustee-to-trustee transfers instead.***

The best way to avoid making a 60-day rollover mistake is to avoid 60-day rollovers! Transfer your funds directly to another retirement account.

Not only does a direct transfer avoid any 60-day time problems, but if the rollover is coming from a 401(k) or other qualified plan, it will also avoid the mandatory 20% withholding requirement.

2. **Make checks payable to new IRA custodians.**

Sometimes the only way a custodian will distribute an IRA or other retirement account money is in the form of a check.

There is a special rule that allows a distribution by check to qualify as a direct rollover (and avoid the 60-day rules) when the check is made payable to the new IRA. For example, your check might read "Custodian X f/b/o (for benefit of) John Doe IRA."

3. **Keep track of when you receive your distribution.**

Few people know when the 60-day clock actually begins. It starts when you receive the distribution.

The few days between when the check was issued and when you actually received it may make all the difference in the world.

4. **Check to make sure the funds were deposited into the correct account.**

A common mistake occurs when funds are accidentally deposited into a non-retirement account.

Once you've deposited the funds or sent them to your financial institution, take five minutes out of your day to make sure they have arrived at their intended destination.

If the mistake is discovered within 60 days it can be corrected.

5. **Be aware of the once-per-year IRA rollover rule.**

You are limited in the number of 60-day rollovers you can make in a 365-day period.

The once-per-year rollover rule applies only to 60-day rollovers from IRA to IRA or from Roth IRA to Roth IRA.

Under the rule, once funds have been rolled over as a 60-day rollover, no other 60-day rollovers can be done by the account owner within the next 365 days. For this rule, IRAs and Roth IRAs are counted together.

Rules can sometimes be trickier than they seem, so make sure to consult a financial advisor who is your fiduciary acting in your best interest.

Thanks for watching and make sure to share this with a friend who could use this information, too. Here's to simple and error-free rollovers!

Richmond Brothers, Inc. is a SEC-Registered Investment Adviser.
3568 Wildwood Avenue, Jackson, MI 49202
www.richmondbrothers.com