10 MOST COMMON ROLLOVER MISTAKES AND HOW TO AVOID THEM!

1.) Missing the 60-day rollover deadline

If you take receipt of the money, you have a 60-day window for moving money between accounts. That window starts the moment your money leaves the original account.

Instead, request a direct transfer of the assets. Ask your former plan administrator to send the assets to your new custodian.

2.) Failing to name the right beneficiary

Some people with complex financial affairs—specific estate plans, divorces, remarriages—neglect to update their forms accordingly.

Instead, sign a beneficiary designation form when you first set up the account. Then, review and update your forms annually.

3.) Rolling over company stock

If you move employer stock to an IRA rollover account, you pay ordinary income tax rates (28-39.6%) instead of capital gains (15-20%) rates on all distributions.

Check with your tax advisor, then give explicit instructions to your plan administrator for holding out the company stock from the rest of the rollover.

4.) Not paying off loans before rolling over

Any loans outstanding when you leave the company will be considered a distribution—subject to taxes and penalties if you're under age 59 1/2.

Pay off your loans before you do the rollover. Borrow the money from somewhere else if you have to.

5.) Cashing out or taking an indirect rollover

Cashing out your retirement account or taking cash in the form of an "indirect rollover" can subject you to taxes, penalties, and lost growth.

The safest choice is not to touch the money at all. Request a direct transfer instead.

6.) Failing to compare fees

It's easy to forget to check the fees, or to become overwhelmed by the financial language, when switching retirement plans.

Your new IRA custodian is happy to answer questions about fees and the services that you're getting for your money.

7.) Mismanaging Required Minimum Distributions

It's easy to forget to take your RMDs starting at age 70 1/2, but you'll have to pay a 50% penalty on the amount of any missed RMDs.

Ask your Financial Advisor to help you calculate your RMDs, then add a reminder to your calendar.

8.) Target account isn't ready to receive funds

If the rollover account isn't ready to receive funds, the administrator will send the check to you. You'll have to foot the extra 20% in mandatory withholdings.

If it was a reasonable error, ask the IRS to waive the taxes and penalties.

9.) Failing to consider a Roth IRA rollover

There are plenty of retirees with large IRAs who are now paying huge amounts of taxes, and stealth taxes, on their RMDs.

Ask a Financial Advisor to do a Roth analysis for you to learn whether it makes sense in your case.

10.) Failing to properly report your rollover

In January, you'll get a 1099-R showing the total amount of your retirement fund and the taxable amount. If you did a direct transfer, your taxable amount will be zero.

When you file your taxes, you'll need to show both amounts on your tax return—otherwise, it'll raise a red flag with the IRS.

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