

# Qualified Plans

## Rollovers & Direct Rollovers

*401(k)-to-traditional IRA*

*401(k)-to-Roth IRA*

*401(k)-to-Inherited traditional IRA*

*401(k)-to-Inherited Roth IRA*

Sample

Questions & Answers

Purpose. More and more participants of retirement plans are concerned with understanding their ability to roll over or directly roll over their 401(k) or other qualified plan funds to an IRA. The purpose of this brochure is to explain these rules. You may either be a plan participant or you may be a beneficiary of a plan participant.

This brochure does NOT discuss rolling over funds from an IRA to a qualified plan or other retirement plan and this brochure does not discuss rollover to an IRA from a section 403(b), section 457 or section 403(a) annuity plan.

## **What options does the law mandate I be given by the plan administrator?**

You must be given the following three (3) options when you are entitled to be paid your vested account balance. Some employers fail to offer the third option, but the law does require them to offer the option.

1. Directly roll over your entire vested account balance. The mandatory withholding rules (20%) do not apply.
2. Be paid your entire vested account balance. However, 20% generally will be withheld for federal income tax purposes.
3. You may have a portion directly rolled over and you may have a portion paid to you.

## **What form am I entitled to receive from my plan administrator?**

A plan administrator shall, before making a distribution that qualifies to be rolled over, provide a written explanation to the recipient (i.e., the participant, your beneficiary or an alternate payee) —

1. of the provisions in the plan document under which the recipient may have the distribution directly transferred to another eligible plan.
2. of the provision in the plan document which requires the withholding of tax on the distribution if it is paid to you, the recipient (not directly transferred).
3. of the provisions of the federal tax law under which the distribution will not be subject to tax if rolled over to another eligible plan within 60 days after the date on which the recipient received the distribution.
4. if applicable, an explanation of 10-year averaging, and capital gain tax treatment.

After being furnished this information, you can decide whether to be paid these funds (and to have automatic withholding of 20%), to directly roll over the payment to another