



ED SLOTT'S IRA ADVISOR

© 2004 Ed Slott, CPA

June 2004

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

SPECIAL ROLLOVER ISSUE

"I knew a man who gave up smoking, drinking, sex, and rich food. He was healthy right up to the time he killed himself."

—Johnny Carson

Most folks still don't know how to move IRA and plan money without getting themselves into trouble. Rollover mistakes are so rampant that both Congress and the IRS have reacted to provide relief for many IRA owners. That is why we are devoting this entire issue to rollovers, from the basics to the latest tax law changes and Private Letter Rulings (PLRs).

It's certainly not the first time we have covered rollover problems, and I'm sure it will not be the last. It seems that a week doesn't go by without hearing some rollover horror story where someone has lost his or her IRA. At least some of these rollover mistakes can now be corrected.

A week doesn't go by without hearing some rollover horror story where someone has lost his or her IRA.

IRA or plan money is tax-sheltered money and must be dealt with carefully. Think of it as money in an eggshell. That eggshell is the tax shelter. Once that eggshell is broken, the IRA or plan money is exposed and becomes subject to tax. When that happens, the broken eggshell (that tax shelter) generally can't be put back together, and the results are disastrous. When you move IRA money, you must move it according to the IRA distribution and rollover rules, otherwise you'll pay the tax and crack the tax shelter. Result: No more IRA.

Rollovers are not supposed to be taxable. The problem with a botched rollover is that it triggers an unexpected and unplanned-for tax and possible early withdrawal penalty (if under age 59½) on the full amount of the funds distributed from the IRA or plan. That can quickly wipe out a lifetime of retirement savings.



For more IRA information, visit our website at www.ira-help.com.

Ed Slott, CPA
100 Merrick Road
Rockville Centre, NY 11570

— Ed Slott

WHAT'S INSIDE?

Feature Article

Rollover Basics

- Rollover vs. Trustee-to-Trustee (Direct) Transfer
- Terminology Problem
- Tax-Free IRA Rollovers
- 60-Day Rollover
- Once-Per-Year Rule
- Rollovers with Multiple IRAs
- Roth Conversions

—Pages 2-3

IRS Denies 60-Day Request

- First Denial from the IRS to Extend 60-Day Rollover Rule
- More Denial Rulings to Follow
- Facts of the Ruling

—Page 4

Post-Death Rollover Rulings

- The Two PLRs
- Rollover Lessons for Non-Spouses & Spouses
- Relief in Rev. Proc. 2003-16
- More IRA Access for a Surviving Spouse?

—Page 5-6

Rev. Proc. 2003-16

—Page 7

**To order Ed Slott's IRA Advisor,
Call Toll Free, 1-800-663-1340**

Or Visit

<http://www.irahelp.com/order.shtml>