Rolling Over Your Retirement Funds? Here's What You Need to Know First

By Terry Heys

If you've just left the world of employment - or you soon will be entering into retirement - it's likely that you may have a substantial amount of savings stored in your employer-sponsored retirement plan that you aren't quite sure what to do with.

Don't worry, you're not alone. Many of us spend the bulk of our working years setting money aside for the future. We are nearly bombarded with an endless array of investment options throughout our "accumulation" years while we save for our retirement.

Yet there is comparatively little information to be found on what we need to do when we've finally reached that point of walking away from our employer (or our business), and turning our savings into what will hopefully be a lifetime stream of income. This is referred to as the "de-cumulation" stage of our life.

One very viable option to consider is to take advantage of the many benefits of rolling your 401(k) or 403(b) funds - as well as money you may have saved in an IRA (Individual Retirement Account) - into an annuity.

How Does a Rollover Work?

When you rollover your retirement funds to an annuity, you can move the money that you have in your employer-sponsored account or your IRA over to the annuity tax-free. Annuities that are funded with 401(k) or IRA funds are considered to be "qualified" plans, which enables the insurance company that is offering the annuity to create an IRA annuity.

There is no requirement that you leave the funds inside the IRA annuity for any particular length of time before you can take an income. So, if you are ready to begin taking retirement income distributions from your funds, the account can be set up as an immediate annuity. This means that your income stream can begin the month following your rollover deposit.

The amount of your monthly income will be dependent on several factors. These include the amount of funds you have deposited in the annuity, as well as your age, your gender, and the income payout option that you decide upon.

What are the Tax Consequences of a Rollover?

Although 401(k) funds and other pre-tax savings can be subject to taxation when they are withdrawn, by law you are allowed to directly rollover these funds on a tax-free basis. It is, however, important to follow all of the rules when doing so.

If your employer's distribution check is made out to you personally rather than to the insurance company, it is important that you get the funds to the insurance company and settled in the annuity within 60 days. Otherwise, the distribution will be considered taxable.

Where Can You Find and Purchase an IRA Annuity?

There are many options when it comes to locating IRA annuities. They key is finding the right IRA annuity for you. We can assist you in narrowing down your choices based on your financial goals and your retirement income needs.

We have a number of tools for you to take advantage of that can be found directly on our website. Feel free to review the annuity rates, as well as to go over the information provided on the different insurance carriers.

We can also help in walking you through, step-by-step, the rollover process so that you can be sure that all of the necessary forms are completed and paperwork is intact. All of our services are free of charge, and we are happy to answer any questions or concerns that you may have along the way. (Footnote 3)