ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning For Your Retirement Savings

WHAT'S **INSIDE?**

What Happens in the 60 Days, Stays in the 60 Days

For the past number of months, news reports raved about the surging economy, record low unemployment numbers and peak stock market levels. "DOW Zooms Past…" whatever indicator is important for that day. *"263,000 New Jobs Added"* screams the headline at the top of internet news sites.

While overall levels of saved dollars have increased, most people still do not have enough socked away to retire any time soon. Living paycheck to paycheck is commonplace. In fact, many people try to access whatever retirement nest egg they do have to cover expenses and emergencies happening right now.

So, what are financially strapped, panicked individuals to do? One sometimes-dangerous option is to dip into IRAs or workplace retirement plans. The common thought is to play chicken and use those retirement dollars within the 60-day rollover window to thwart whatever financial demon is in their path. As long as the money is redeposited in time, taxes and possible penalties can be avoided.

Rules of a 60-Day Rollover

When a client takes a distribution from an IRA or other tax-deferred retirement accounts payable to himself, and if he intends to roll this money over, it must be contributed back to an IRA or tax-deferred retirement account within 60 days of receipt of the funds. The 60-day rollover window starts on the day he receives the funds. This rollover period is 60 calendar days, not 60 business days.

Since loans are not available from IRAs, the only way IRA owners can access their funds is to take a distribution and hope to roll the funds back to an IRA before the deadline.

Caution: Only one 60-day rollover between IRAs is permitted during a one-year period. This is not a calendar year, but a full 12 months from the time the first rollover money is received by the account owner.

Example: Roberto, age 45, takes a withdrawal from his IRA on March 1. To avoid paying taxes and the 10% early distribution penalty, Roberto rolls the funds back into an IRA within 60 days. Roberto cannot do another 60-day rollover until the following March.

The 12 months begin with the date the funds are received by the account owner. The once-per-year rollover rule applies to IRA-to-IRA and Roth IRA-to-Roth IRA rollovers. It does not apply to IRA-to-plan, plan-to-IRA rollovers or to conversions.