

## The Direct Rollover

When you roll over assets from a workplace retirement account into an IRA, arrange for a “trustee-to-trustee transfer.” If your employer sends you a check in your name, and you then deposit it in an IRA, you could pay hefty taxes and penalties, as the table below shows.

	Trustee-to-trustee transfer	Transfer to you
Account assets	\$100,000	\$100,000
Amount employer withholds for taxes	\$0	\$20,000
Amount deposited in IRA	\$100,000	\$80,000
Taxes and penalties due	\$0	<b>\$7,000</b> (Includes a 10% early-withdrawal penalty paid on \$20,000 in account assets not deposited in the IRA. *)

\*Assumes 25 percent federal tax bracket.  
Source: smartmoney.com.

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