

IRA and 401(k) Rollovers

The term “rollover” refers to the process of moving retirement savings from a qualified retirement plan to a Rollover IRA or to another qualified plan. When you change jobs or retire, you may be eligible to receive a distribution from your employer-sponsored retirement plan. This is often referred to as a “lump sum distribution”. Even if the amount seems modest, the money you invested represents important assets you’ll need for retirement – assets you’ll want to protect and to grow.

A Rollover IRA gives you the opportunity to continue growing your retirement savings on a tax-deferred basis until you withdraw this money in the future. There are two types of rollovers to consider.

Option #1: Request a direct rollover.

A direct rollover to an IRA or to your new employer’s plan is the easiest way to continue the tax-deferred status of your retirement savings. By directly rolling over your eligible plan distribution, you can avoid current income taxes and any early withdrawal penalty and keep your money working, tax-deferred.

If you choose a direct rollover:

- Your distribution will not be subject to federal income tax in the current year.
- No income tax will be withheld from your distribution.
- Your distribution will be contributed directly to the rollover IRA of your choice or, if available, your new employer’s qualified plan.
- Your distribution will be taxed at a later date when you withdraw it from your IRA or from your new employer’s plan.

Option #2: Receive the distribution by check.

If you choose to have your retirement plan benefits paid to you, consider the following:

- Your distribution will be subject to a 20% mandatory Federal withholding tax, which means you will receive only 80% of your retirement savings.
- Your distribution will be subject to federal income tax in the year received unless you roll it over within 60 days of receiving your check.
- You can rollover 100% of the distribution eligible for rollover treatment by replacing the 20% that was withheld with money from your other savings. You will receive credit for the 20% withheld when you file your federal income tax return for that year.
- If you only roll over 80% of your distribution that you received, the 20% withheld will be considered taxable income and will be subject to current federal income

taxes and a possible 10% early withdrawal penalty. Depending on where you live, state and local taxes may apply as well.

Clinton National Bank can help you rollover or transfer retirement funds from a former employer's plan or other IRA accounts into your Clinton National Bank IRA account. Rolling over funds is made easy with a simple set of forms.

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