Fiduciary Financial Services Wealth Management

Your Personal Investment Advisor Team

Michael Gavett
Senior Vice President
& Portfolio Manager
MichaelGavett@brileywealth.com

Donald McCoy
Senior Vice President
& Portfolio Manager
DonaldMcCoy@brileywealth.com

Richard Wright
Vice President
& Portfolio Manager
RichardWright@brileywealth.com

Brandy Bailey
Client Services Representative
BrandyBailey@brileywealth.com

Cecelia Fisher
Client Services Representative
CeceliaFisher@brileywealth.com

Regina Kolkhorst
Director of Information Technology
ReginaKolkhorst@brileywealth.com

Meagan Womack
Operations Assistant
MeaganWomack@brileywealth.com

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13155 Noel Road, Suite 750
Dallas, TX 75240
Phone: 972-934-9070
Fax: 972-934-8718

WHAT IS AN IRA ROLLOVER?

If you leave a job or retire, you might want to transfer the money you've invested in one or more employer-sponsored retirement plans to an individual retirement account (IRA). An IRA rollover is an effective way to keep your money accumulating tax deferred.

Using an IRA rollover, you transfer your retirement savings to an account at a private institution of your choice, and you choose how you will invest the funds. To preserve the tax-deferred status of retirement savings, the funds must be deposited in the IRA within 60 days of withdrawal from an employer's plan. To avoid potential penalties and a 20% federal income tax withholding from your former employer, you should arrange for a direct, institution-to-institution transfer.

You are able to roll over assets from an employer-sponsored plan to a traditional IRA or a Roth IRA. Because there are no longer any income limits on Roth IRA conversions, everyone is eligible for a Roth IRA conversion; however, eligibility to contribute to a Roth IRA phases out at higher modified gross income levels. Keep in mind that ordinary income taxes are owed (in the year of the conversion) on all tax-deferred assets converted to a Roth IRA.

An IRA can be tailored to your particular needs and goals and can incorporate a variety of investment vehicles. Although IRAs typically provide more investment choices than an employer plan, your plan may offer certain investments that are not available in an IRA. Further, the cost structure for the investments offered in the plan may be more favorable than those offered in an IRA. In addition, tax-deferred retirement savings from multiple employers can later be consolidated.

Over time, IRA rollovers may make it easier to manage your retirement savings by consolidating your holdings in one place. This can help cut down on paperwork and give you greater control over the management of your retirement assets.

Keep in mind that you may be able to leave your funds in your previous employer plan, if it is allowed by the plan. You may be able to transfer the funds from your previous employer plan to a new employer plan (if it accepts rollover funds).

Distributions from traditional IRAs are taxed as ordinary income and may be subject to a 10% federal income tax penalty if taken prior to reaching age $59\frac{1}{2}$. Just as with employer-sponsored retirement plans, you must begin taking required minimum distributions from a traditional IRA each year after you turn age 72.

Qualified distributions from a Roth IRA are free of federal income tax (under current tax laws) but may be subject to state, local, and alternative minimum taxes. To qualify for a tax-free and penalty-free withdrawal of earnings, a Roth IRA must meet the five-year holding requirement and the distribution must take place after age $59\frac{1}{2}$ or due to death, disability, or a first-time home purchase ($10,000 lifetime maximum). The mandatory distribution rules that apply to traditional IRAs do not apply to original Roth IRA owners; however, Roth IRA beneficiaries must take mandatory distributions.

10 THINGS YOU CAN DO TO AVOID FRAUD

Crooks use clever schemes to defraud millions of people every year. They often combine new technology with old tricks to get people to send money or give out personal information. Here are some practical tips to help you stay a step ahead.

1. **Spot imposters**. Scammers often pretend to be someone you trust, like a government official, a family member, a charity, or a company you do business with. Don't send money or give out personal information in response to an unexpected request — whether it comes as a text, a phone call, or an email.

2. **Do online searches**. Type a company or product name into your favorite search engine with words like "review," "complaint" or "scam." Or search for a phrase that describes your situation, like "IRS call." You can even search for phone numbers to see if other people have reported them as scams.

3. **Don't believe your caller ID**. Technology makes it easy for scammers to fake caller ID information, so the name and number you see aren't always real. If someone calls asking for money or personal information, hang up. If you think the caller might be telling the truth, call back to a number you know is genuine.

4. **Don't pay upfront for a promise.** Someone might ask you to pay in advance for things like debt relief, credit and loan offers, mortgage assistance, or a job. They might even say you've won a prize, but first you have to pay taxes or fees. If you do, they will probably take the money and disappear.

5. **Consider how you pay.** Credit cards have significant fraud protection built in, but some payment methods don't. Wiring money through services like Western Union or MoneyGram is **risky** because it's nearly impossible to get your money back. That's also true for reloadable cards (like MoneyPak or Reloadit) and gift cards (like iTunes or Google Play). Government offices and honest companies won't require you to use these payment methods.

6. **Talk to someone.** Before you give up your money or personal information, talk to someone you trust. Con artists want you to make decisions in a hurry. They might even threaten you. Slow down, check out the story, do an online search, consult an expert — or just tell a friend.

7. **Hang up on robocalls.** If you answer the phone and hear a recorded sales pitch, hang up and report it to the FTC. These calls are illegal, and often the products are bogus. Don't press 1 to speak to a person or to be taken off the list. That could lead to more calls.

8. **Be skeptical about free trial offers.** Some companies use free trials to sign you up for products and bill you every month until you cancel. Before you agree to a free trial, research the company and read the cancellation policy. And always review your monthly statements for charges you don't recognize.

9. **Don't deposit a check and wire money back.** By law, banks must make funds from deposited checks available within days, but uncovering a fake check can take weeks. If a check you deposit turns out to be a fake, you're responsible for repaying the bank.

10. **Sign up for free scam alerts from the FTC at** ftc.gov/scams. Get the latest tips and advice about scams sent right to your inbox.

If you spot a scam, report it at ftc.gov/complaint. Your reports help the FTC and other law enforcement investigate scams and bring crooks to justice.

https://www.consumer.ftc.gov/articles/0060-10-things-you-can-do-avoid-fraud