AVOID THESE COMMON ROLLOVER MISTAKES

Skipping your contribution

The most important element in any retirement plan is a firm commitment to make consistent contributions. Don't skip your IRA contribution in order to fund things like vacations, college tuition, and new car purchases. You can take a loan out for any of these expenses, but you can't take a loan out to fund your retirement. Maximize your contributions during your wage earning years.

Not understanding the difference between a Roth IRA and a traditional IRA

You pay taxes on the front end of a Roth, meaning your contributions are not tax deductible, but they are allowed to grow tax-free. They are tax exempt, rather than tax deferred. Traditional IRA's get the initial tax advantage, but future distributions are taxed as ordinary income. Traditional IRAs call for a Required Minimum Distribution, which is not the case for a Roth.

Failing to take the correct RMD

Required Minimum Distributions kick in at age 70½. Failing to take the right amount at the right time can result in penalties of up to 50% of the distribution. Don't make this mistake!

Missing the rollover deadline

You can take money out of your IRA or take a distribution from your 401(k) when you leave an employer and invest it in a qualified retirement account without tax consequences but, once you have the money in your hands you only have 60 days to make the transfer and you can only do it once within a 365 day period. Your best bet is a direct transfer from one account to another so you don't have to write a check.

Failing to read over the beneficiary form

When it comes to your beneficiary form, it pays to read the fine print. Make sure your money gets to the heirs you intend to receive it. If you transfer or convert your account, you will need to fill out new beneficiary forms.

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