THE IRA TO IRA ROLLOVER DECISION:
A NON-EXHAUSTIVE LIST OF FACTORS TO CONSIDER

This Newsletter is a brief educational piece for IRA owners deciding between keeping their IRA with its current provider, and moving their IRA to another provider. If that's you, you have much to think about. But, before you make your stay-go decision, first find out if you have another option: Find out if you can move your IRA to a qualified retirement plan in which you presently participate. Ask the employer sponsoring the plan if the plan allows participants to roll an IRA to the plan. (The plan does not have to accept IRA rollovers.) If the plan accepts IRA rollovers, you may want to read in addition to this piece our educational newsletter The Retirement Plan Rollover Decision. That newsletter can be found in the drop-down menu of the L&A Communications tab on our website: **leonettiassoc.com**. If your options are to keep your IRA with its current provider and move your IRA to another provider, listed below are *some*[1] of the factors you might want to consider before making your decision.

1. If you are receiving a series of substantially equal periodic payments ("SOSEPP") from your IRA, be aware that the Internal Revenue Service has issued Private Letter Rulings (PLRs) in which it took the position that an IRA to IRA rollover or an IRA Custodian to IRA Custodian transfer of an IRA from which a SOSEPP was being made was an impermissible modification of the SOSEPP, making the IRA owner subject to the 10% penalty on pre-age 59½ IRA distributions for all previously received distributions in the series. We understand that a PLR is specific to the taxpayer requesting the ruling, but a PLR is nevertheless an indication of how the Internal Revenue Service might treat a situation similar to that in the PLR. Consult with a tax adviser knowledgeable about IRAs if the IRA you are considering moving is connected to a SOSEPP.

2. Maybe you don't have all the choices you think you do. Perhaps you are party to one or more legal documents (e.g., pre-nuptial agreement, post-nuptial agreement, judgment for dissolution of marriage, etc.) that require you to keep your IRA where it was on the legal document's effective date unless and until the document is modified by the parties to it or by a court decree. Consult with an attorney if you're unsure whether this factor applies to you.

3. Determine which IRA's governing documents (e.g., custodial account agreement; designation of beneficiary form) better fit with your estate plan: Not all IRAs offer the same beneficiary designation options. If you want to name a trust as beneficiary of your IRA because, e.g., you're concerned about how the IRA funds will be spent or how quickly they'll be spent, make sure the IRA's governing documents permit a trust in general and the type of trust you have in particular, to be named a beneficiary.

If you have children and grandchildren and want — in the event a child dies before you — that your grandchildren receive the IRA share their parent (your child) would have received had the child survived you (a so-called per stirpes distribution), make sure the IRA's governing documents permit

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[1] It very likely is not possible to make a list of factors that everyone would agree is "all-inclusive." Indeed, on March 24, 2017 using the query "IRA rollover factors to consider", one search engine returned "About 360,000 results (0.62 seconds)", and another search engine returned "1,160,000 RESULTS"!

a per stirpes distribution (there is no requirement that they do), and make sure that if they do permit a per stirpes distribution that they define per stirpes the way you understand that term to operate. You may be surprised (and disappointed) by what you find.

4. If protecting retirement funds for your beneficiaries is important to you and you want to use a trust to protect your beneficiaries — we understand IRAs inherited by individual non-spouse beneficiaries are not accorded the same creditor protection enjoyed by IRA owners — make sure the IRA's governing documents permit a trust in general and the type of trust you have in particular, to be named a beneficiary.

5. Inquire about the distribution options available to you under the IRA providers you are considering. The IRA's governing documents must satisfy Internal Revenue Code requirements for when distributions must begin and how rapidly distributions will be made, but beyond that, not all IRAs offer the same array of distribution options. Distribution options that satisfy Internal Revenue Code requirements but require quicker distribution than other options may result in more rapid recognition of taxable income, make Social Security benefits taxable when they otherwise might not have been or make more of those benefits taxable than what otherwise would have been the case, and may result in increased Medicare premiums.

6. Look at the investment options the IRA providers under consideration make available to you: Which investment platform better enables you to build a diversified portfolio, and better fits with investments you may have in taxable accounts? If your IRA owns non-publicly traded assets (e.g., real estate; closely-held stock) or you think it might in the future, ask the IRA Custodian if it will hold such assets.

7. Think about the services available to you with your current IRA provider and with the other IRA providers in the mix. Look not just at the number of different services available, but also how meaningful to you each particular service might be.

8. Take into account the costs of the competing IRAs, including but not limited to the annual custodial fee, if any, sales loads you may have incurred on current holdings and sales loads you will incur if you sell current holdings in connection with moving your IRA, brokerage commissions, trailing commissions on IRA assets you intend to keep, 12b-1 fees, "exit fees" (a fee for terminating your account relationship), and the fees of an outside advisor, if any, whose services you engage to manage your IRA.

If you presently have an account with an outside advisor that charges advisory fees based on a percentage of the assets under management ("AUM"), ask the advisor if adding new funds to the relationship will result in you reaching a fee "breakpoint". Similarly, if you presently have an account with an outside advisor that charges advisory fees based on an AUM model or on a pay-by-the-hour model and are considering switching to a commission-based model, find out the asset level at which commission "breakpoints" occur.

Consider the type of investor you are. If you want to work with an advisor in some capacity but you do not frequently trade and have no need for ongoing monitoring or investment advice, your investment management costs may be less if you work with a commission-based advisor than if you work with an advisor that charges advisory fees based on an AUM or pay-by-the-hour model. Do your homework, and take all costs into account, including, in addition to the costs mentioned above, the annual mutual fund expenses you'll likely encounter under each approach. Different share classes of the same mutual fund can have quite different annual expense ratios; the expense ratios impact the fund's net return to investors.

9. If you make the decision to move your IRA from one provider to another and the IRA is one you created rather than one you inherited, be mindful of the Internal Revenue Code's one IRA rollover per year rule: Ask the current IRA provider and the new IRA provider to make the transfer directly between them without you receiving the funds. If the IRA is one you inherited rather than one you created, rolling over is not an option: You must go the direct route as described in the preceding sentence. For more on the one rollover per year rule, see **https://www.irs.gov/retirement-plans/plan-participant-employee/rollovers-of-retirement-plan-and-ira-distributions**.[2]

[2] This reference is current as of March 24, 2017.