



Can the IRS waive the 60-day IRA rollover deadline?

If you take a distribution from your IRA intending to make a 60-day rollover, but for some reason the funds don't get to the new IRA trustee in time, the tax impact can be significant. In general, the rollover is invalid, the distribution becomes a taxable event, and you're treated as having made a regular, instead of a rollover, contribution to the new IRA. But all may not be lost. The 60-day requirement is automatically waived if all of the following apply:

- A financial institution actually receives the funds within the 60-day rollover period.
- You followed the financial institution's procedures for depositing funds into an IRA within the 60-day period.
- The funds are not deposited in an IRA within the 60-day rollover period solely because of an error on the part of the financial institution.
- The funds are deposited within one year from the beginning of the 60-day rollover period.
- The rollover would have been valid if the financial institution had deposited the funds as instructed.

If you don't qualify for this limited automatic waiver, the IRS can waive the 60-day requirement "where failure to do so would be against equity or good conscience," such as a casualty, disaster, or other event beyond your reasonable control. However, you'll need to request a private letter ruling from the IRS, an expensive proposition - the filing fee alone is currently \$10,000.

Thankfully, the IRS has just introduced a third way to seek a waiver of the 60-day requirement: self-certification. Under the new procedure, if you've missed the 60-day rollover deadline, you can simply send a letter to the plan administrator or IRA trustee/custodian certifying that you missed the 60-day deadline due to one of 11 specified reasons. To qualify, you must generally make your rollover contribution to the employer plan or IRA within 30 days after you're no longer prevented from doing so. Also, there is no IRS fee.

The downside of self-certification is that if you're subsequently audited, the IRS can still review whether your contribution met the requirements for a waiver. For this reason, some taxpayers may still prefer the certainty of a private letter ruling from the IRS.

QUIZ

How Much Do You Know About Social Security Retirement Benefits?

Social Security is an important source of retirement income for millions of Americans, but how much do you know about this program? Test your knowledge, and learn more about your retirement benefits, by answering the following questions.

Questions:

1. Do you have to be retired to collect Social Security retirement benefits?
 - a. Yes
 - b. No
2. How much is the average monthly Social Security benefit for a retired worker?
 - a. \$1,360
 - b. \$1,493
 - c. \$1,585
 - d. \$1,723

3. For each year you wait past your full retirement age to collect Social Security, how much will your retirement benefit increase?
 - a. 5%
 - b. 6%
 - c. 7%
 - d. 8%
4. How far in advance should you apply for Social Security retirement benefits?
 - a. One month before you want your benefits to start.
 - b. Two months before you want your benefits to start.
 - c. Three months before you want your benefits to start.

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5. Is it possible for your retirement benefit to increase once you start receiving Social Security?

- a. Yes
- b. No

Answers:

1. **b.** You don't need to stop working in order to claim Social Security retirement benefits. However, if you plan to continue working and you have not yet reached full retirement age (66 to 67, depending on your year of birth), your Social Security retirement benefit may be reduced if you earn more than a certain annual amount. In 2017, \$1 in benefits will be deducted for every \$2 you earn above \$16,920. In the calendar year in which you reach your full retirement age, a higher limit applies. In 2017, \$1 in benefits will be deducted for every \$3 you earn above \$44,880. Once you reach full retirement age, your earnings will not affect your Social Security benefit.

2. **a.** Your benefit will depend on your earnings history and other factors, but according to the Social Security Administration, the average estimated monthly Social Security benefit for a retired worker (as of January 2017) is \$1,360.¹

3. **d.** Starting at full retirement age, you will earn delayed retirement credits that will increase your benefit by 8% per year up to age 70. For example, if your full retirement age is 66, you can earn credits for a maximum of four years. At age 70, your benefit will then be 32% higher than it would have been at full retirement age.

4. **c.** According to the Social Security Administration, you should ideally apply three months before you want your benefits to start. You can generally apply online.

5. **a.** There are several reasons why your benefit might increase after you begin receiving it. First, you'll generally receive annual cost-of-living adjustments (COLAs). Second, your benefit is recalculated every year to account for new earnings, so it might increase if you continue working. Your benefit might also be adjusted if you qualify for a higher spousal benefit once your spouse files for Social Security.

For more information, visit the Social Security Administration website, ssa.gov.

¹ Social Security Fact Sheet, 2017 Social Security Change



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