The SANDWICH Generation

6 Key Tips to Follow As You Juggle Your Own Retirement Planning

1. Contributions: If you are working, have an employer plan available, and there is an employer match, make sure you are contributing enough to the plan to reach that maximum match level. Don't forget to make your own IRA or Roth IRA contributions as well. Your participation in the employer plan has no effect on your ability to make those contributions. It could, however, affect the deductibility of your IRA contributions.

2. Roth IRA Planning: You really want to contribute to a Roth IRA, **but** (and it's a big BUT) you exceed the income limits to qualify. You can utilize a strategy called the Back-Door Roth IRA to move funds into a Roth IRA, where they can grow tax-free into retirement.

Don't forget about Roth conversions for yourself. You can use a strategy called "filling the brackets." You convert smaller amounts each year to keep yourself from going into a higher tax bracket. When it comes time to do the tax return, maybe some numbers have changed and you converted too much. No problem! You have until October 15 to recharacterize all or part of your Roth conversion. You "undo" it and do not owe income tax on the amount you recharacterize.

3. Moving Jobs and Retirement Funds: What should you do with that company 401(k) or other employer plan you might have once you separate from service? You generally have several options. If you decide to move the funds, **do a direct transfer**. It's the easiest way to move the balance, tax free, to your new company's employer-sponsored retirement plan or an IRA.

4. Once-Per-Year IRA Rollover Rule: An IRA rollover is when you receive a check that is payable to you. You can cash this check and spend it. You can also roll it over to another IRA within 60 days of your receipt of the funds. If you decide to go through with an IRA-to-IRA or Roth IRA-to-Roth IRA rollover, you only get one of those per 365 days. If you "accidentally" go through with a second (or third) rollover within that time frame, it's a completely taxable distribution = a huge tax bill! **There is no fix for this problem.**

5. 10% Penalty IRA Exceptions: If you have attained age 59 ½, you can take IRA distributions without penalty. If you are inheriting an IRA from your parents, you can take penalty-free distributions at any time. When you are under age 59 ½, the 10% penalty is waived if you utilize 72(t) payments and may be waived if you are using the funds due to disability, medical expenses, an IRA levy or you are an active military reservist. You also may be able to shake free of the penalty if your IRA distribution is used to pay for a first home (lifetime cap of $10,000), qualified higher education expenses, or health insurance if you are unemployed. But beware! You must follow every rule for each of these exceptions to qualify for the penalty waiver.

6. The Age 55/50 Exception: The age 55 exception only applies to company plan participants who separated from service in the year they turned age 55 or older. And this applies to a calendar year – so if you were to turn age 55 in December and separated from service the preceding January, you would qualify for penalty-free distributions *from the employer plans of that employer*. You can take any amount for any reason from the plan and not be subject to the penalty, but you will be subject to any distribution restrictions the employer plan might have.

The age drops to 50 for certain federal, state and local public safety employees such as police, fire and emergency services personnel. They must separate from service in the year they attain age 50 or later to qualify.

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