

WATERFALLS & PITFALLS

Navigating IRA Rollovers for a Secure Retirement



PROVIDED BY

SURITY ADVISORS

Dependable solutions for an unsure future.

WRITTEN BY

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PREFACE

Planning for retirement is one of the most significant financial journeys you will undertake. An Individual Retirement Account (IRA) is a powerful tool that allows you to save and invest for the future while enjoying tax advantages. Whether you have a Traditional IRA, a Roth IRA, or a 401(k) that you want to roll over, understanding your options is crucial to ensuring a comfortable retirement and leaving a lasting legacy for your loved ones.

Making the right choices with your IRA can be like navigating a river—some paths lead to beautiful waterfalls of financial security, while others can lead to pitfalls that drain your wealth. This guide will help you understand the best and worst choices when rolling over an IRA, ensuring you make decisions that support your long-term financial health.

Surity Advisors aims to simplify the complexities of retirement planning with clear insights and actionable steps that empower you to take control of your financial future.

— William Fjeran, Certified Financial Fiduciary

www.surityadvisors.com

Six of the BEST IRA
Rollover Options

WATERFALLS OF WEALTH

Direct Rollover to Another IRA

Transferring your funds directly from one IRA to another or from a 401(k) to an IRA is the safest and most tax-efficient method.

Always opt for a direct rollover (trustee-to-trustee transfer) instead of a withdrawal. This avoids unnecessary taxes and penalties while keeping your money growing for the future. A direct rollover ensures that you maintain your tax-deferred status, meaning you won't owe taxes until you begin taking distributions in retirement. It also eliminates the risk of missing the 60-day deadline that applies to indirect rollovers, which could result in an unexpected tax bill.

Choosing a Certified Financial Fiduciary (CF2) for Guidance

A CF2 is legally and ethically bound to act in your best interest.

Unlike traditional advisors who may have conflicts of interest, a CF2 ensures your investments align with your retirement goals and lifestyle needs. A fiduciary advisor helps you avoid high-fee, poor-performing investment options and steers you toward a well-diversified portfolio designed for long-term growth and stability. Having the right advisor can mean the difference between a comfortable retirement and one filled with financial stress.

Rolling Over to a Roth IRA When Appropriate

While this move may require paying taxes upfront, it can be a smart strategy if you anticipate being in a higher tax bracket in retirement.

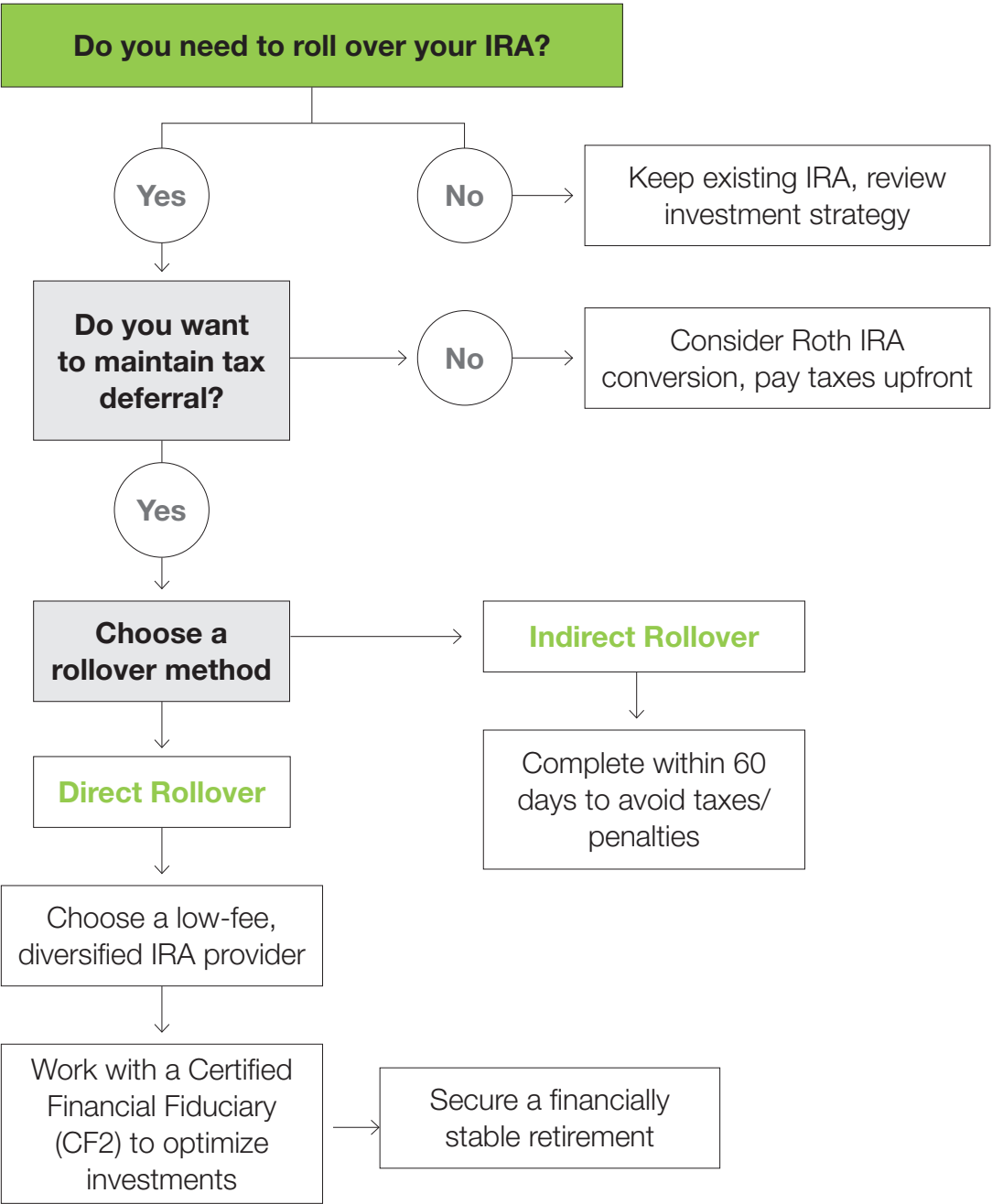
If converting a traditional IRA to a Roth IRA, evaluate whether you can afford the taxes now and if the long-term tax-free growth is worth it. A Roth IRA allows your money to grow tax-free, providing a secure income stream later in life. Unlike Traditional IRAs, Roth IRAs do not require required minimum distributions (RMDs), meaning you have more flexibility in managing your withdrawals. This can be a great way to leave a tax-free inheritance to your beneficiaries.

Diversified Investment Strategy

Ensuring your IRA is invested in a diversified portfolio reduces risk and increases the likelihood of steady growth.

Investing in a mix of stocks, bonds, and other assets helps protect your wealth from market volatility. Diversification minimizes risk by spreading your investments across various sectors and industries, ensuring that a downturn in one area doesn't wipe out your entire portfolio. Your advisor should help tailor a strategy that balances risk and reward based on your retirement timeline and financial needs.

This flowchart outlines the optimal choices for an IRA rollover, emphasizing direct rollovers, strategic tax planning, and working with a Certified Financial Advisor to ensure a secure financial future.



Compare IRA Providers: Finding the Best Fit for Your Retirement Goals



Choosing the right IRA provider is a crucial decision when rolling over your retirement funds. Not all providers are the same—some offer lower fees, better investment options, and more user-friendly platforms. Before rolling over your funds, it's important to compare providers based on their fees, investment choices, customer service, and additional features that align with your financial goals.

Fees Matter:

Minimize Costs to Maximize Growth

One of the most significant factors in choosing an IRA provider is the cost structure. Some providers charge annual maintenance fees, trading fees, and fund expense ratios, which can eat into your investment returns over time. For example, a provider charging a 1% annual fee on a \$100,000 IRA means you're losing \$1,000 per year—money that could be growing in your account instead. In contrast, many online brokers and robo-advisors offer low-cost or even no-fee IRA options, helping you keep more of your money invested.

Investment Options:

A Good IRA Should Offer Flexibility

Some IRA providers have limited investment selections, while others offer a broad range of assets, including stocks, bonds, ETFs, mutual funds, and alternative investments (like real estate or cryptocurrency). If you prefer a hands-on approach, look for a provider with self-directed investing and

research tools. If you'd rather have professionals manage your money, consider a provider that offers target-date funds or managed portfolios. Some providers specialize in low-cost index funds, while others offer a wide variety of commission-free ETFs and actively managed portfolios.

Accessibility Matters:
Customer Service & Digital Tools

When managing retirement savings, good customer support and an easy-to-use platform are essential. Some investors prefer phone support with real advisors, while others value a strong mobile app for tracking investments and making trades on the go. If you're new to investing, you may benefit from an IRA provider that offers educational resources and retirement planning tools. Some providers emphasize personalized retirement planning assistance, while others focus on automated investing with tax-efficient strategies.

FACTORS TO CONSIDER WHEN CHOOSING AN IRA PROVIDER

Feature	Option A: Low-Fee Focus	Option B: Hands-On Investing	Option C: Automated Management
Annual Fees	Low or no fees	Standard brokerage fees	Flat advisory fee or percentage
Investment Options	ETFs, index funds	Stocks, bonds, mutual funds	Pre-built portfolios, target-date funds
Customer Service	Basic online support	Live advisors, research tools	Digital-first with automated features
Best For	Cost-conscious investors	Active traders & DIY investors	Hands-off investors seeking automation

By thoroughly comparing IRA providers before rolling over your funds, you can ensure you select the best option for low fees, strong investment choices, and reliable service that aligns with your retirement goals.

Revisiting Your IRA Beneficiaries

When rolling over an IRA account, it is crucial to review and update your beneficiary designations to ensure that your assets pass according to your wishes.

Unlike employer-sponsored retirement plans governed by ERISA (Employee Retirement Income Security Act), IRAs are not subject to the same spousal consent rules. Under ERISA, in some states, a spouse must be the primary beneficiary of a 401(k) or other qualified retirement plan unless they provide written consent to designate another beneficiary. However, this rule does not apply to IRAs, meaning you are free to name any beneficiary you choose without requiring spousal consent.

When setting up your rollover IRA, take the time to carefully designate both primary and contingent beneficiaries. A primary beneficiary is the first in line to inherit the account, while contingent beneficiaries receive the assets only if the primary beneficiary predeceases you. Naming contingent beneficiaries is essential to avoid complications in case your primary beneficiary is unable to inherit the funds. This ensures a clear and direct transfer of assets, preventing unnecessary delays or probate involvement.

For example, you might name your spouse as the primary beneficiary and your children as contingent beneficiaries. This allows your spouse to inherit the IRA first, with your children next in line should your spouse pass away before receiving the funds. However, consider whether your beneficiaries are capable of managing a potentially large inheritance. If you have concerns about financial responsibility, you may want to explore options such as an IRA Asset Will or an IRA Trust to provide structure and oversight on how the funds are distributed.

Another approach is to designate your children as primary beneficiaries. If you have multiple children and there are strained relationships among them, you might consider splitting the IRA into separate accounts for each child. This prevents disputes over asset distribution and allows each beneficiary to manage their portion independently.

Additionally, you are not limited to naming family members as beneficiaries. You can designate anyone you wish, such as a friend, charitable organization, or even a trust. It is essential to be intentional about these choices because the beneficiary designation on your IRA overrides your will or living trust. This means that regardless of what your estate plan states, the individuals or entities listed on your IRA beneficiary form will inherit the account. Therefore, regularly reviewing and updating your beneficiary designations ensures your assets are distributed as you intend.

Four of the Worst IRA
Rollover Options

PITFALLS TO AVOID

Cashing Out Your IRA Early

Withdrawing your funds before retirement not only depletes your savings but also subjects you to taxes and penalties.

This short-term move can have long-term consequences on your financial security. When you cash out, you lose the power of compounding interest, which is essential for growing your retirement savings. Additionally, early withdrawals can push you into a higher tax bracket, resulting in a larger-than-expected tax bill. This move should only be considered in extreme financial emergencies.

Cashing out of your IRA (Individual Retirement Account) early, meaning before age 59½, can trigger penalties and taxes depending on the type of IRA you have. Here's an example:

Scenario: Early Withdrawal from a Traditional IRA

Let's say you are 45 years old and decide to withdraw \$10,000 from your Traditional IRA to cover unexpected expenses.

Potential Penalties & Taxes:

- 10% Early Withdrawal Penalty: Since you are under 59½, you must pay a \$1,000 penalty (10% of \$10,000).
- Income Tax: The \$10,000 is considered taxable income for the year. If you are in the 22% tax bracket, you owe \$2,200 in federal taxes.
- State Taxes: If your state has income tax, you may owe additional taxes.
- IRA Provider Fees or Penalties

Total Cost of Early Withdrawal:

- \$1,000 penalty
- \$2,200 federal tax (assuming a 22% tax bracket)
- Possible state taxes
- Net amount received could be as low as \$6,800 of your 10,000 withdrawal (after deductions)

Are There Any Exceptions?

Yes! Some situations allow you to withdraw from an IRA without the 10% penalty, including:

- First-time home purchase (up to \$10,000)
- Qualified education expenses
- Medical expenses exceeding 7.5% of your Adjusted Gross Income (AGI)
- Permanent disability
- Substantially equal periodic payments (SEPP)
- Birth or adoption expenses (up to \$5,000)

Rollover to a High-Fee, Poorly Managed Account

Not all IRA providers are created equal.

Some accounts come with excessive fees and poor investment choices that erode your wealth over time. High management fees can eat away at your returns, reducing the overall growth of your retirement savings. It's crucial to research and compare fees, performance history, and customer service before selecting an IRA provider. Working with a Certified Financial Advisor ensures you choose an account that prioritizes your financial well-being over unnecessary fees and commissions.

Selecting the wrong IRA provider can lead to higher costs, limited investment options, and poor service, which may negatively impact your retirement savings. Here are a few potential pitfalls and real-world examples of what can go wrong when your IRA provider isn't the right fit for your financial goals.

Higher Fees Can Erode Your Retirement Savings

Many investors don't realize how much fees can affect their long-term savings. If you choose a provider with high annual maintenance fees, trading commissions, or fund expense ratios, these costs add up over time.

Example: Suppose you invest \$100,000 in an IRA and your provider charges a 1% annual fee. That means you pay \$1,000 per year in fees. Over 20 years, assuming a 7% annual return, you could lose over \$40,000 in potential growth compared to a low-cost provider with no fees.

Limited Investment Options Can Restrict Growth

Some IRA providers offer only a small selection of investments, such as a handful of mutual funds, while others provide a diverse range of stocks, ETFs, bonds, and alternative assets. If your provider has limited choices, you might miss out on better-performing investments or a well-diversified portfolio.

***Example:** Imagine an investor wants to diversify into low-cost index funds but their IRA provider only offers high-fee actively managed funds. They may end up paying unnecessary expenses and underperforming the broader market.*

Poor Customer Service Can Lead to Costly Mistakes

Having a provider with weak customer support can make managing your retirement account frustrating and, in some cases, costly. Slow response times, lack of access to financial advisors, or technical issues with transactions can lead to lost investment opportunities or mistakes.

***Example:** A retiree needs to take a required minimum distribution (RMD) from their traditional IRA but has trouble reaching customer service. Because of delays, they miss the deadline and incur a 50% penalty on the amount they should have withdrawn—a significant and avoidable financial loss.*

Lack of Digital Tools Can Hinder Portfolio Management

In today's digital world, many investors expect easy online account management, mobile apps, and automated tools for tracking performance. If an IRA provider lacks these features, managing investments can become cumbersome and inefficient.

Example: An investor wants to rebalance their portfolio but has no access to automated tools, requiring manual trades. Due to delays, they miss the chance to adjust their investments before a market downturn, reducing their overall returns.

The Bottom Line

Choosing the right IRA provider is essential for maximizing your retirement savings. High fees, limited investment choices, poor service, and outdated technology can all hurt your long-term financial success. By researching and selecting a provider that aligns with your goals, you can ensure your retirement funds grow efficiently and securely.

Not Completing the Rollover within 60 Days

Complete your transfer on time to avoid tax penalties.

If you opt for an indirect rollover (where you take possession of the funds before depositing them into a new IRA), you must complete the transfer within 60 days to avoid taxes and penalties. Failure to do so can be costly. If you miss the deadline, the IRS will treat the distribution as taxable income, and you may also face a 10% early withdrawal penalty if you're under age 59½. To avoid this risk, it's always best to request a direct rollover, where the funds move directly from one financial institution to another.

4 Ignoring Required Minimum Distributions (RMDs)

Once you reach age 73, you must begin taking RMDs from your Traditional IRA. Failing to do so can result in hefty IRS penalties.

The penalty for missing an RMD is 25% of the amount that should have been withdrawn, which can significantly reduce your savings. Planning ahead with your advisor ensures that you take the necessary distributions in a tax-efficient manner, helping you preserve as much of your wealth as possible.

Below is a chart illustrating the financial consequences of poor IRA rollover decisions, helping you visualize the impact of these mistakes:

Poor Rollover Decision	Immediate Consequence	Long-Term Impact
Cashing Out Your IRA Early	Taxes & 10% penalty	Loss of compounded growth, higher tax burden
Rollover to a High-Fee Account	Excessive fees eroding savings	Reduced retirement funds due to ongoing costs
Not Completing Rollover in 60 Days	Funds taxed as income & 10% penalty	Permanent loss of tax-advantaged status
Ignoring Required Minimum Distributions (RMDs)	25% IRS penalty	Accelerated depletion of retirement savings

CONCLUSION

Retirement should be a time of financial freedom, not stress. By making informed choices with your IRA rollovers and working with a trusted Certified Financial Advisor, you can secure a comfortable retirement, protect your wealth, and leave a lasting legacy. Choose wisely, avoid pitfalls, and let your financial future flow like a beautiful waterfall—strong, steady, and abundant.

The Next Step:

If you're ready to make smart IRA rollover decisions, consult with a Certified Financial Fiduciary today. Secure your future with confidence and enjoy the retirement you deserve!

Learn more about Surity Advisors
and schedule your first call with us
by visiting our website.



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