How to Rollover Your IRA/401(K) to Canada

Do you have a 401(k) or IRA sitting at a U.S. Wealth Management company and been asked to find a new investment firm because you reside in Canada?

If so, then this quick guide will educate you about Rollovers and walk you through how and why Raymond James (USA) Ltd. can help you roll that money over to your own IRA in Canada.

If you have any questions regarding your IRA or 401(k) please reach out to us by email blaprivatewealth@raymondjames.ca or by phone 519-707-0064.

To learn more about us, visit our website www.blaprivatewealth.ca

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FIRST THINGS FIRST… WHAT IS A ROLLOVER?

In general, a rollover is the movement of funds from one eligible retirement account to another (e.g. - IRA to IRA, Roth IRA to Roth IRA, 401(k) to IRA, etc.).

There are no age restrictions regarding rollovers and if a rollover is done properly and all the rules are followed, generally there will be no taxes or penalties imposed on the distribution that is being rolled over. In addition, a rollover encourages long term retirement savings by allowing participants to continue the tax-deferred growth of the distribution they receive from another IRA or a qualified plan.

TIME LIMIT FOR MAKING A ROLLOVER CONTRIBUTION

A rollover contribution must generally be made by the 60th day after the day the distribution is received from the distributing IRA. This is the case regardless of whether the 60-day period ends in the same year as the distribution or in the following year. (Note that even if a distribution made in one year is rolled over to an IRA within 60 days in the following year, the distribution is still treated as being rolled over (and therefore not taxable) in the year in which the distribution occurred.) The IRS, upon application by a taxpayer, may waive the 60-day requirement where the failure to do so would be against equity or good conscience, such as in the event of a casualty, disaster, or other event beyond the individual's reasonable control.

ROLLOVERS COMPLETED AFTER THE 60-DAY PERIOD

In the absence of a waiver, amounts not rolled over within the 60-day period do not qualify for tax-free rollover treatment. The distribution is instead treated as fully or partially taxable depending upon whether the distribution consisted of any previously made non-deductible contributions. The amount is taxable in the year distributed even if the 60-day period expires in the next year. The 10% penalty tax on premature distributions may also apply if none of the exceptions apply. In addition, unless an IRA waiver or some other

extension (such as due to presidential declared disaster) of the 60-day rollover period applies, any contribution made to an IRA more than 60 days after the distribution must be treated and reported as a regular IRA contribution, not a rollover contribution. For more information on automatic IRS waivers and applying for an IRS waiver (Private Letter Ruling) see the IRS Publication 590, section titled "Can I move retirement plan assets? – rollovers". Alternatively see IRS site Retirement Plans FAQs relating to Waivers of the 60-Day Rollover Requirement for FAQs on the waiver provisions.

WAITING PERIOD BETWEEN ROLLOVERS

Effective January 1, 2015, all of the IRAs (Traditional, Roth, SEP & SIMPLE) owned by the same IRA participant are aggregated and treated as one IRA for purposes of determining the waiting period between rollovers. If a participant rolls over all or any part of a distribution from any type of IRA, he or she cannot, within a 1-year period, roll over any late distribution from any of the IRAs that he or she owns until the 1-year waiting period has expired. The 1-year period begins on the date the IRA distribution is received; not on the date that it is rolled over into an IRA.

Due to the timing of the new regulation, as a transition rule for 2015, a distribution occurring in 2014 that was properly rolled over to another IRA is disregarded for purposes of determining whether a 2015 distribution can be rolled over. This is provided that the 2015 rollover is from a different IRA that neither made nor received the 2014 distribution. It is important to note that the Rollovers types below are not subject to the one-per-year limit.

- Trustee-to-trustee transfers (direct transfers of assets from one IRA trustee to another);
- Roth conversions (rollovers from traditional IRAs to Roth IRAs)
- Rollovers between qualified plans and IRAs and

Please see the IRS article titled, “IRA One-Rollover-Per-Year Rule” for more information about this important change.

THE SAME PROPERTY MUST BE ROLLED OVER

A rollover is tax free only if the same property that was distributed from the IRA is subsequently contributed to the same IRA or a new IRA. Thus if the distribution consists of cash; only cash can be rolled over; if the distribution consists of “in-kind” property, only the same in-kind property can be rolled over. This is the case even if the value of the in-kind distribution goes up or down during the 60– day period before the rollover occurs and even if only some of the shares or property is rolled over.

PARTIAL ROLLOVERS

If a participant withdraws an amount from an IRA, he or she can roll over only part of the withdrawal, if desired, and keep the rest. The amount retained will generally be taxable (except to the extent that it consists of a return of previously made non-deductible contributions). The amount retained may be subject to the 10% penalty tax on premature distributions if none of the exceptions apply.

REQUIRED MINIMUM DISTRIBUTIONS

Required Minimum Distributions (RMDs) are not eligible for rollover. For this purpose, the first dollar distributed from an IRA in any year in which an account holder is age 70 ½ or older, up to the actual RMD amount for the year, is treated as being attributable to the RMD required to be distributed that year.

ROLLOVERS FROM SIMPLE IRAS TO TRADITIONAL IRAS

A rollover from a Simple IRA to Traditional IRA occurs when a participant takes a distribution from a Simple IRA and deposits or rolls some or all of the amount distributed (in excess of any RMD) into a Traditional or SEP IRA. A rollover to a Traditional or SEP IRA from Simple IRA can only occur after a participant has completed two years of

participation in the sponsoring employer's Simple IRA plan. The two-year period begins on the date the first Simple IRA contribution is deposited into the participant's Simple IRA. The standard IRA to IRA rollover rules regarding timing, same property, etc., that are described above equally apply to rollovers from Simple IRA to Traditional IRA rollovers.

WHY ARE YOU BEING ASKED TO LEAVE YOUR CURRENT ADVISOR?

In 2009, the Canadian Securities Administrators passed legislation that restricts the ability on U.S. based financial services companies to conduct business with Canadian residents.

The new requirement, known as National Instrument 31-103, created a nationwide registration system for securities firms doing business in Canada.

Since this time, most wealth management firms in the United States have reviewed this legislation, and have decided to eliminate these accounts based on the small amount assets when compared to their other assets under management and the cost of being compliant.

MORE ABOUT TAXES

In general, you can rollover your 401(k) money to an IRA without incurring any taxes. This is called a direct rollover and is the most common type of rollover. In some special cases, such as if you have employer stock in your 401(k), or non-deductible contributions, you'll need to dig into the tax details because there are some additional planning opportunities available. But most 401(k) rollovers are very straightforward. As always, you should check with your cross border tax advisor to ensure you're making the correct tax elections for your specific circumstances.

WHAT TO EXPECT WHEN YOU ROLLOVER A 401(K) OR IRA?

1. PAPERWORK

To get the process started, you'll need:

- 401(k) distribution paperwork

The best contact is your previous employers HR or payroll department. These groups are usually tasked with the administration of the employers retirement plan or at a minimum be able to get you to the right person that can send you out the distribution paperwork.

- Existing IRA transfer paperwork

Raymond James (USA) Ltd. through our custodian relationship with Pershing LLC handles all the administration of rolling over these portfolios and the transfer paperwork is included in the paperwork required to set up a new IRA account.

2. ESTABLISHING A NEW IRA IN CANADA

You'll need to open up a new IRA at a brokerage firm like Raymond James (USA) Ltd. This is easy to do. We have the necessary experience to help you navigate the forms and make the proper elections to facilitate the rollover.

While it might seem like a lot of work to rollover your money, usually the process is relatively easy and it beats having to incur penalties and ordinary income taxes because you are an American citizen but now living in Canada.

HOW DOES RAYMOND JAMES (USA) LTD. HELP?

First, Raymond James (USA) Ltd. unlike most investment firms registered with FINRA and the SEC, operate in and across Canada.

Raymond James (USA) Ltd. is a Canadian based U.S. broker-dealer and registered investment advisory firm that offers specialized advice for the cross-border investment needs of Americans living in Canada and Canadians living in the U.S. Raymond James (USA) Ltd. is a member of the Raymond James family of companies and is 100% owned by Raymond James Ltd., which is the Canadian subsidiary of Raymond James Financial, Inc.

Raymond James (USA) Ltd. has completed an exemption from registration application in Canada to be able to help the American citizen living across Canada.

Second, at Raymond James (USA) Ltd. you'll find experienced financial advisors who are registered in both Canada and the United States. We understand the challenges that the American citizen faces and therefore have become well connected with other cross border professionals in other areas of concern like tax, trust and estate planning, insurance and immigration.

By being registered in both countries, well connected to other cross border centers of influence, Raymond James (USA) Ltd. is able to offer you more than just a Canadian wealth management solution, we can offer you a holistic wealth management solution and coordinate your entire portfolio of assets to keep you on track to achieving your financial goals.

BEE LEE ***MBA, M Eng. Sc., B Eng.***
Financial Advisor

BLA Private Wealth – Raymond James Ltd.
Suite 1001-20 Erb Street West, Waterloo, Ontario, N2L 1T2

Direct Line: *519-707-0064* | ***Email:*** *bee.lee@raymondjames.ca*
www.blaprivatewealth.ca

BLA Private Wealth | RAYMOND JAMES®