

## Are Some Rolling Over for Tax Advantage?

While withdrawals from individual retirement accounts (IRAs) tend to be largely consistent with the required minimum distribution (RMD) rules by the IRS that apply to individuals age 70-1/2 or older, some withdrawals may be motivated by other tax considerations.

Examining patterns drawn from the proprietary EBRI IRA Database, among traditional IRAs that received a rollover, 21.9 percent also had a withdrawal, and of those traditional IRAs that experienced a withdrawal, 9.4 percent also received a rollover. Moreover, the percentage of those with a rollover that also had a withdrawal increased with the owner's age, nearly doubling, from 16.1 percent for those owned by younger-than-50-year-olds to 29 percent for those age 60–69.

A recent EBRI analysis notes that there may be tax reasons to first rollover from a 401(k)-type plan to a traditional IRA, and then to take a withdrawal from the IRA.

As an example, a withdrawal from a traditional IRA taken before age 59-1/2 for a first-time home purchase (\$10,000 maximum) is not subject to the 10 percent early withdrawal penalty that an identical withdrawal for this purpose from a 401(k)-type plan would be.

Looking at accounts that have both a withdrawal and a rollover, there appeared to be some movement of dollars consistent with a desire to take advantage

of differing tax rules between IRAs and employment-based retirement plans; nearly a third (29.5 percent) of those having both a rollover and a withdrawal took a withdrawal at least equal to that of the rollover.

Just over 16 percent of traditional and Roth IRA accounts in the EBRI IRA database had a withdrawal in 2011, including 20.5 percent of traditional accounts. This percentage was largely driven by activity among traditional IRAs owned by individuals ages 70-1/2 or older where the individuals were required to make withdrawals from their tax qualified accounts.

“IRA Withdrawals, 2011,” can be found in the February 2014 *EBRI Notes* [online here](#).

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