National Underwriter Life & Health
Listen To The Sound Of Boomer Money Rolling Over
BY JIM CONNOLLY
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The sound of $400 billion to $500 billion of rollover money, much of it baby boomer funds, cascading into rollover accounts every year by 2010 has grabbed the attention of insurers and financial advisors.
The latest example of that interest is the April 3 launch of a rollover campaign by Jackson National Life Insurance Company, Denver. The campaign, titled "Choose Your Direction," is an educational effort designed to help advisors prepare for the shift from accumulation to distribution.
The campaign consists of materials such as a client questionnaire as well as a brochure and a JNL seminar program that can help advisors deliver group presentations.

"The opportunity is too large to ignore," says Luis Gomez, vice president of marketing strategy with Jackson National Life Distributors, Denver. Within the next two years, Gomez says, rollovers will become a more important part of the financial planning discussion. "Right now, what you are doing might be sufficient," he says, but a large opportunity will bring a lot of attention to the market and give rise to competition for both insurers and advisors. "If you are not talking to your clients, someone else will."
Financial advisors contacted by National Underwriter say they already are fielding rollover questions from clients.

There are two phases of retirement savings—accumulation and distribution, says Josh Itzoe, a principal with Greenspring Wealth Management, Towson, Md. On the distribution phase, Itzoe notes that "IRA distribution rules are really complex. You need an in- depth knowledge of those rules." Failure to have knowledge of those rules can result in steep penalties and consequences that are not reversible, he adds.
Rollovers are coming up in his practice, and usually, Itzoe says, there are benefits to rolling over from a qualified 401(k) plan to an IRA.

For example, an IRA allows for stretching distributions if the beneficiary is a spouse and the age difference between the spouses is significant, Itzoe says.

If, for instance, one spouse is 70 and the deceased spouse is 55, then it might benefit the surviving spouse to leave the fund in the younger spouse's account because distributions could be delayed, he says. If the surviving 70-year-old spouse does not immediately need the funds and rolls the money over into his or her account, then distributions would have to begin after age 70½, Itzoe explains.

An IRA is usually more flexible from an investment standpoint as well as from an estate planning standpoint of the four options available, he says.
Those options, according to Itzoe, are:
1. Leave it in the plan;
2. Roll it into a new employer plan;
3. Roll it into an IRA; and,
4. Cash out.

Typically, cashing out is the worst option because of the immediate taxes and penalties, he says.
If a Roth IRA is being contemplated, Itzoe says retirement might be a good time to complete a rollover because the retiree could be in a lower tax bracket.

Don Martin, a certified financial planner with Mayflower Capital, Los Altos, Calif., says if boomers in their 50s end up getting laid off, a bad thing can be turned into a good thing by rolling over their assets into a Roth IRA. Since it is a taxable conversion, a period of unemployment would be a good opportunity to convert to Roth IRA assets, he continues.

Elaine Scoggins, a certified financial planner with Scoggins Financial, Tampa, Fla., says that recently she has had three clients in a row face rollover decisions.

What often happens, according to Scoggins, is people have "dribs and drabs" of money from jobs that they have had in the past. Often, they don't pay attention to these small accounts, Scoggins adds, but there can be "account creep." When you add the totals in these smaller accounts, there can be considerable money involved, Scoggins adds.

Rolling over accounts allows them to consolidate and get their assets in order, she continues. One benefit of rolling assets over into a single account, she says, is there might be more diversification opportunities than there are with smaller accounts.

So, Scoggins concludes, “it is a good idea not to have small pots of money. Keep your financial situation as simple as possible.”