When you roll over your pre-tax dollars to another qualified retirement plan (IRA, 457, 401, 403), you are able to defer the payment of income taxes until you withdraw the money from the other account. This allows the full amount of your buyout distribution to grow into retirement. In addition, a rollover will also not be subject to the 10% early withdrawal penalty which will apply if you are under the age of 59½ at the time of payment (and do not meet one of the exceptions to the penalty). There are several ways to initiate a rollover:

• **Direct Rollover to the State of Missouri Deferred Compensation Plan (MO Deferred Comp)** - If you already have an account with MO Deferred Comp, you can roll your buyout payment directly into a 401(a) account. If you are not a participant in the plan, since you are no longer employed with the State of Missouri, you will be unable to open a new account.

• **Direct Rollover to a Traditional IRA or Other Eligible Employer Plan** - By choosing a direct rollover to an IRA or new plan that accepts rollovers, you can avoid paying income taxes on your money until you begin withdrawals from the new plan (does not apply to rollovers to a Roth, explained below). MOSERS will transfer your buyout payment directly to the other plan or financial institution for you. Another option is to directly roll over a portion of your payment and receive the remainder in a payment to you. The Rollover Agreement on the Buyout Program Application must be completed by the receiving institution.

• **Rollovers into a Roth Account** - You can roll your buyout payment into a Roth IRA or the MO Deferred Comp Roth 457 plan (if you are a current participant in the plan), but because Roth accounts are funded with after-tax dollars, you’ll be required to pay income tax on your distribution in the year paid. When money is eventually withdrawn from the Roth, it is tax-free – including any future earnings (as long as you meet the plan requirements), but you should consider the amount of taxes you’ll have to pay now and the length of time you’ll have the funds in the account (currently a 5-year minimum requirement).

• **60-day Rollover Option** - Even if you choose to have your payment made to you, there’s still a 60-day window when you can roll the money into a qualified plan. However, the mandatory 20% tax withholding on payments made directly to you will not be refunded, so if you would like to roll over the full amount of the payment, you will be responsible for supplying the additional dollars. The withholding will be applied to your tax account and used when filing your tax return.

**10% Early Withdrawal Penalty**
If you do not roll over your buyout payment, you will pay regular income taxes plus a 10% early withdrawal penalty unless you meet one of the IRS exceptions to the penalty. The penalty will not apply if you are at least age 59½ on the date of the payment. If you are younger than age 59½ but terminated employment during or after the year you reached age 55, the penalty will also not apply. When you roll the money to a new account, different exceptions to this penalty may apply. See the IRS website for more information: [www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions](http://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions).

**Required Minimum Distributions (RMD)**
If you are age 72 or older, you are required to take a percentage of the distribution amount in cash, which is taxable. You cannot roll over the portion of your payment that is considered a required minimum distribution. MOSERS can help you determine this amount.

**Additional Information**
See our [Special Tax Notice](#) for more information concerning your payment options and tax consequences.

**Basic Information About IRAs**