Financial Decision Partners
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- Do I Need Travel Insurance?
- Following Court Ruling, IRS Clarifies IRA Rollover Rule

Do I Need Travel Insurance?

Whether you need travel insurance is likely to depend on your level of coverage from existing homeowner's, medical, automobile, and life insurance policies. In many instances, travel insurance may duplicate coverage that you already have.

Travel insurance is likely to include coverage for trip cancellation, lost or stolen baggage or personal items, emergency medical assistance, and death while you are on vacation. Trip cancellation provides coverage if a cruise line or tour operator goes out of business or if you need to cancel because of illness or a death in the family. Costs for trip cancellation coverage typically range between 5% and 7% of the cost of the vacation.[1]

Research Before You Buy

Before purchasing coverage for baggage or personal effects, determine how much coverage an airline or other travel provider offers. Airlines may limit their liability for lost baggage. Also review your health insurance to determine your liability for medical expenses, especially emergency care, out of state or out of the country, if applicable. If you already have life insurance, you may not need additional coverage for vacation.

If you determine that your existing coverage will not be adequate for your personal liability during a vacation, you may want to purchase coverage through a third-party insurance company rather than from a tour operator or cruise line. In the event of bankruptcy, a policy originating from a tour operator or cruise line may not provide coverage.

Source/Disclaimer:
[1]Source: Insurance Information Institute.

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Following Court Ruling, IRS Clarifies IRA Rollover Rule

In January of this year the U.S. Tax Court ruled that the "once a year" IRA rollover rule applies to all of an individual's IRAs, not to each separately. The court's decision conflicts with a longstanding IRS position (as outlined in IRS Publication 590) that states the rule applies separately to each IRA owned, thus allowing multiple rollovers if taken from separate accounts during a 365-day period -- as opposed to a calendar year period.

For its part, the IRS had not publicly indicated how it would handle the court's decision until recently, when it announced that it would uphold the court's decision and revise its rules and publications accordingly.

Ruling Applies to Indirect Rollovers

It should be noted that the rule applies only to indirect rollovers, in which the account holder initiates a distribution from an IRA and receives a check for the distributed amount which is deposited into his or her personal account. It is then up to the individual to redeposit the funds into the new IRA within the allotted 60-day period to avoid possible taxation and penalties on the amount distributed.

If individuals want to move money more frequently, they can still use the direct rollover approach -- also known as a trustee-to-trustee rollover -- anytime without regard for the new once-per-year rule. With a direct rollover, the money goes directly from the former IRA custodian/trustee to the new custodian without the account holder ever touching it. The Tax Court was clear in its ruling that individuals who have more than one IRA may make multiple direct rollovers from the trustee of one IRA to the trustee of another IRA without triggering the one-year limit. Other advantages of a direct rollover include simplicity and continued tax deferral on the full amount of the account holder's retirement savings.

Both the court's decision and the IRS's ruling may have an impact in individual investors' retirement planning decisions. To play it safe, consult with a qualified financial and/or tax advisor before making any IRA moves.

Source/Disclaimer:
Source: financial-planning.com, "IRS Issues IRA Rollover Warning," April 10, 2014.