ED SLOTT
AND COMPANY, LLC
America's IRA Experts

Calculating NUA in *5 Easy Steps*

What is NUA?

NUA is short for "Net Unrealized Appreciation" of employer securities. It's the difference between the cost basis and the market value of employer securities held inside a qualified plan such as a 401(k). To take advantage of a special tax break for NUA, there must be a triggering event [separation from service (unless self-employed), disability (only if self-employed), attainment of age 59 1/2 or death].

When should you consider using NUA?

You should consider using NUA when the cost basis of employer securities in your plan is much lower than the current market value. The special tax break for NUA allows you to pay long-term capital gains rates on the growth of your shares while inside the plan instead of ordinary rates, and you will not owe that tax until the shares are sold outside the plan. This can create up to a 20% tax savings.

#1 **First things first.** Look for employer securities and their cost basis on your plan statement. See if the cost basis is higher or lower than the market value. If it is lower, consider NUA.

#2 **Be direct with your rollover.** Do a direct rollover of the assets that you want to remain tax deferred to an IRA or other qualified plan. This will avoid any mandatory withholding and eliminate the possibility for 60-day rollover mistakes.

#3 **Kindly transfer in-kind.** Next, transfer the shares of employer securities in-kind (as stock) to a taxable account (this is **not** a rollover). **Do not** sell the shares while they are still in your plan. When the employer securities are transferred in-kind to a taxable account, ordinary income tax is owed on the basis of the shares.

#4 **The early bird gets a lump-sum distribution.** In order to qualify for the special NUA tax break, you must make a "lump-sum distribution" where the entire plan balance is distributed in one calendar year. Start the distribution early in the calendar year to ensure it is completed in time.

#5 **RMD perk.** The cost basis of the employer securities in the NUA distribution can be used to satisfy your Required Minimum Distribution (RMD) for the year of distribution (if you have one).

AMERICA'S IRA EXPERTS

100 Merrick Road Suite 200E Rockville Centre New York 11570
1.800.663.1340 toll-free 516.536.8282 telephone 516.536.8852 facsimile www.irahelp.com