

IRS Provides Rollover Relief in Retirement Account Mismanagement Case

By Rick Taylor, CPA, Partner

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The IRS is providing relief to taxpayers who have experienced problems with the management of their retirement accounts. In a private ruling recently, the IRS determined that one taxpayer, whose retirement funds had been mismanaged by two banks, was entitled to treat the amounts he received in court settlements against the managers as rollovers.

Mishandled retirement savings

In the instance brought before the IRS, the taxpayer lost significant investments when his retirement account managers mis-invested and mishandled his accounts. The taxpayer sued and was awarded the amounts he lost in a settlement. He then asked the IRS whether the money was income, or whether it could be rolled over into another account.

The IRS said that the money the taxpayer won in settlement was intended to equal, at least approximately, the amounts lost by the taxpayer during the mismanagement. The companies issued the money to the taxpayer's attorney, who subtracted his own fees, and immediately put the remainder into new retirement accounts the taxpayer had established to replace the mismanaged ones.

What you can do

The IRS determined that the money the taxpayer received was merely a replacement. While the ruling was private and applies only

to the individual taxpayer in the case, it is reasonable that the IRS would treat similar situations the same.

If you believe your retirement funds have been mismanaged, please contact your nearest Wipfli office. We can help you determine your best recourse to recoup your investments.

About the Author

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