
9 RETIREMENT TAX MISTAKES THAT COULD COST YOU THOUSANDS —AND HOW TO **AVOID** THEM



CALIFORNIA
Retirement Advisors
Plan and invest wisely—live a better life.

www.CRAadvisors.com

888-643-7472

© 2025 Ed Slott and Company LLC

You saved for decades—now, don't let the IRS take more than its fair share.

Retirement tax planning is **full of hidden traps** that could cost you **thousands in unnecessary taxes and penalties**. Unlike the stock market, **money lost to taxes never recovers**—which means one mistake could permanently reduce your retirement income.

This guide breaks down the 9 most common (and costly) tax mistakes retirees make—and how to avoid them.

Mistake #1: Taking Multiple IRA Withdrawals and Trying to Roll Them Back

Why This is a Big Deal:

Many retirees think they can take multiple withdrawals from their IRA and then combine them into a single tax-free rollover. **Big mistake.** The IRS only allows **one** 60-day rollover of multiple withdrawals taken in any rolling 12-month period. Any additional attempted IRA rollovers are **fully taxable and may trigger penalties**.

What Happens if You Get This Wrong?

- You could owe **thousands in unexpected taxes**.
- If you're under **59½**, **you may also get hit with a 10% early withdrawal penalty**.
- The IRS doesn't offer a do-over—once you take the money, you're stuck with the tax bill.

Here's How to Fix It:

Best Practice: Always use direct transfers (trustee-to-trustee) instead of taking money out and trying to move it yourself. These direct transfers avoid IRS rollover limits and reduce tax risk.

If You Already Made This Mistake and Are Still Within the 60-Day Window:

- **Option 1:** If you have a 401(k), **you may be able to roll the extra withdrawal into your workplace plan** (these rollovers don't count toward the one-per-year rule).
- **Option 2:** Convert the excess amount into a **Roth IRA** instead (this is taxable, but penalty-free).

Pro Tip: Need to take money from your IRA? **Take out more than you think you'll need** in a single withdrawal rather than making multiple smaller withdrawals throughout the year. If it turns out that too much was withdrawn with a single distribution, the excess can be rolled back within 60 days.

Mistake #2: Taking a Retirement Plan Payout Without Doing a Direct Rollover

Why This is a Big Deal:

When rolling over a **401(k) or other workplace retirement plan** to an IRA, many retirees **request the funds as a check payable to themselves**, planning to deposit it into their IRA later. **Bad idea.** The IRS

requires **20% mandatory tax withholding** when a check is made payable to you instead of directly to your IRA.

What Happens if You Get This Wrong?

- You'll receive **only 80% of your balance**, and you'll have to **come up with the missing 20% yourself** within 60 days if you want to complete a full 100% rollover..
- If you **don't have the extra money to make up the full rollover**, the IRS treats the missing 20% as a **taxable distribution**—you could owe **income taxes plus an early withdrawal penalty (if under 59½)**.
- You **lose out on tax-free compounding** on that 20% for the rest of your retirement.

Here's How to Fix It:

Best Practice: Always request a **direct rollover** (trustee-to-trustee transfer) when moving funds from a 401(k) to an IRA. This ensures 100% of your money transfers tax-free.

If You Already Made This Mistake:

- If possible, **use personal savings to replace the missing 20%** and deposit the full amount into your IRA within 60 days.
- When you file your tax return, **you'll get credit for the withheld amount**.

Pro Tip: If you receive a check from your 401(k), **don't worry**. Make sure the check is **made payable to your IRA custodian**. You can still deposit it without triggering the withholding rules.

Mistake #3: Taking an IRA Withdrawal First, Then Trying to Claim It as a Qualified Charitable Distribution (QCD)

Why This is a Big Deal:

Giving IRA money to charity **through a Qualified Charitable Distribution (QCD)** can be a powerful tax strategy—**but only if done correctly**. Many retirees mistakenly **withdraw the money first and then donate it**, assuming they can still claim it as a tax-free QCD. **Wrong!** Once the funds are withdrawn, the IRS treats it as a **fully taxable distribution—even if you later donate it**.

What Happens if You Get This Wrong?

- The **entire withdrawal is taxable income**, increasing your **Adjusted Gross Income (AGI)** and potentially raising Medicare premiums or triggering other tax consequences.
- You **lose the key tax benefit of a QCD**, which excludes the donation from your income entirely.

Here's How to Fix It:

Best Practice: Always request that your **IRA custodian send the QCD funds directly to the charity**. This ensures it qualifies as a tax-free distribution.

If You Already Made This Mistake:

- You **cannot retroactively classify a personal withdrawal as a QCD**. However, you may be able to claim a standard **charitable deduction** on your tax return.
- If you still want to make a **true QCD**, you can request another **direct transfer from your IRA to the charity**—just make sure it stays within the **\$108,000 annual limit** (for 2025).

Pro Tip: If you like the idea of personally delivering the donation, **ask your IRA custodian to send the check to you—but made payable to the charity**. That way, it still counts as a **direct transfer** for QCD purposes.

Mistake #4: Rolling Over a 401(k) Without Taking the Required Minimum Distribution (RMD) First

Why This is a Big Deal:

If you are retired at age **73 or older**, the IRS requires you to **take your Required Minimum Distribution (RMD) before rolling over your 401(k) to an IRA**. Many retirees mistakenly **roll over their entire balance first**, not realizing that the IRS **does not allow RMDs to be rolled over**.

What Happens if You Get This Wrong?

- The RMD amount that was rolled over is considered an **excess contribution** to your IRA.
- You could face a **6% IRS penalty each year** until the mistake is corrected.
- You'll have to **withdraw the excess amount (and possibly earnings)**, which could push you into a **higher tax bracket**.

Here's How to Fix It:

Best Practice: Before rolling over a 401(k), confirm whether you need to **take an RMD first**. Your **financial advisor or plan administrator** can help calculate the correct amount.

If You Already Made This Mistake:

- **Withdraw the required RMD amount as soon as possible.**
- If the RMD was rolled over, **you can correct the mistake by removing the excess contribution (plus earnings) by October 15 of the following year.**
- If you miss the deadline, you'll owe a **6% penalty on the excess** for each year it remains in the IRA.

Pro Tip: If you retire **late in the year**, take your **RMD in December before rolling over your account in January**. This prevents **last-minute errors and tax surprises**.

Mistake #5: Overcontributing to Multiple Workplace Retirement Plans

Why This is a Big Deal:

If you contribute to **more than one workplace retirement plan** in the same year—whether because you changed jobs or worked multiple positions—you **cannot** max out salary deferrals to each plan separately. The IRS **elective deferral limit applies across all plans combined** and exceeding it can lead to **double taxation** if not fixed in time.

What Happens if You Get This Wrong?

- The IRS **counts all pre-tax and Roth 401(k)/403(b)/SIMPLE IRA contributions together—even from unrelated employers**—and exceeding the annual limit triggers tax consequences.
- If you **don't correct the mistake by April 15 of the following year**, you could be taxed **twice—once on the excess contribution in the year made and again when you withdraw it later**.
- The excess amount must be **removed from one of the plans**—along with any investment earnings—**by the April 15 deadline to avoid double taxation**.

Here's How to Fix It:

Best Practice: Track your **total contributions across all plans—especially if you change jobs mid-year**. The IRS limit for **2025** is:

- **\$23,500** for those under 50
- **\$31,000** if **50 or older**
- **\$34,750** for those **60-63** (special catch-up rule starting in 2025)

If You Already Made This Mistake:

- **Contact the administrator of one of your plans** as soon as possible and request a **corrective distribution of the excess amount (plus earnings)**.
- Your employer will issue a **corrected W-2** reflecting the change, ensuring you aren't taxed twice.
- **Act before April 15** of the following year—otherwise, the excess stays in the plan and gets taxed again when withdrawn.

Pro Tip: **457(b) plans have separate limits**, so if you're eligible for one, you can contribute **beyond the 401(k)/403(b) cap** without triggering this mistake.

Mistake #6: Missing the 60-Day Rollover Deadline and Not Using Self-Certification

Why This is a Big Deal:

If you withdraw funds from your **IRA or 401(k)** and don't deposit them into another retirement account within **60 days**, the IRS treats the withdrawal as a **taxable distribution—meaning you could owe income taxes and a 10% early withdrawal penalty (if under 59½)**.

Many people assume their only option for relief is to **request a Private Letter Ruling (PLR) from the IRS**, which is a **costly and time-consuming** process. **However, the IRS now allows self-certification—a much simpler no cost fix!**

What Happens if You Get This Wrong?

- If you **miss the 60-day rollover deadline**, your entire withdrawal becomes **taxable income**, potentially pushing you into a **higher tax bracket**.
- If you're under **59½**, you could owe a **10% early withdrawal penalty** on top of the taxes.
- A **PLR request costs tens of thousands of dollars** and take months to process, while **self-certification is free and immediate**.

Here's How to Fix It:

Best Practice: If you think you might **miss the 60-day rollover deadline**, act fast. **Always complete rollovers as soon as possible** to avoid the risk of missing the window.

If You Already Made This Mistake:

- **Use Self-Certification Instead of a PLR** – Since 2016, the IRS has allowed **self-certification** for late rollovers under **12 qualifying reasons**, including:
 - Financial institution error
 - Lost rollover check
 - Serious illness (you or a family member)
 - Death of a family member
 - Severe damage to your home or postal error
- **How to Self-Certify:**
 - Use the IRS **model self-certification letter** (your IRA custodian may provide a template).
 - Provide it to your IRA or 401(k) provider when making the late rollover.
 - Complete the rollover **as soon as possible** (ideally within **30 days** after the issue is resolved).
- **If You Don't Qualify for Self-Certification**, you may still request a **PLR—but this should be the last resort**.

Pro Tip: Even if you qualify for self-certification, the IRS **can still audit your rollover**. Make sure your reason is **legitimate and well-documented** in case of a review.

Mistake #7: Nonspouse Beneficiaries Attempting a 60-Day Rollover

Why This is a Big Deal:

If you **inherit an IRA** as a **nonspouse beneficiary**, you **cannot** take the money out and then roll it back into that IRA or another IRA using a **60-day rollover**. Many people mistakenly **withdraw the full balance**, assuming they can move it later—only to discover the IRS treats it as a **fully taxable distribution**.

Unlike spouse beneficiaries, **nonspouse beneficiaries have stricter rules—the only way to move inherited IRA funds without tax consequences is through a trustee-to-trustee transfer**.

What Happens if You Get This Wrong?

- **The entire amount withdrawn is taxable income**—you could owe *thousands in unexpected taxes*.
- If you try to redeposit the funds into another IRA, the IRS treats it as an **excess contribution**, which can trigger a **6% penalty every year** until corrected.
- **This mistake cannot be undone**—once the money is withdrawn, it's considered a **taxable event**.

Here's How to Fix It:

Best Practice: If you inherit an IRA and want to move the funds, **always use a trustee-to-trustee transfer**. This ensures the money stays tax-deferred.

If You Already Made This Mistake:

- Unfortunately, **there's no fix**—the IRS does not allow rollovers for nonspouse beneficiaries.
- If you already withdrew the funds, **work with a tax professional** to plan for the **tax hit** and explore ways to offset the impact.
- If you haven't withdrawn the funds yet, **stop and consult a specialized financial advisor** before making any moves.

Pro Tip: If your goal is to change investments, **you don't need to withdraw the funds to do so**. Inherited IRAs allow you to **adjust investments within the account** without triggering a taxable event.

Mistake #8: Naming an Estate as the Beneficiary of an Employer Plan

Why This is a Big Deal:

Naming an **estate** as the beneficiary of a **401(k) or other employer retirement plan** can create major tax headaches for heirs. Unlike individual beneficiaries, an estate **does not qualify for tax-favorable rollover options**—forcing heirs to withdraw the money faster and pay **more in taxes than necessary**.

What Happens if You Get This Wrong?

- **No option to roll funds into an inherited IRA**, meaning heirs lose out on **tax deferral**.
- The payout period is significantly shorter:
 - **5-year rule** if the account owner died **before** the required beginning date (RBD).
 - **Single life expectancy rule** if the owner died **after** the RBD.
- Some employer plans **force a lump sum payout**, which could trigger a **massive tax bill in one year**.

Here's How to Fix It:

Best Practice: Always name an **individual (or a properly structured trust)** as the beneficiary of an employer plan to maximize **tax deferral options**.

If You Already Made This Mistake:

- **Change the beneficiary designation** if the account owner is still alive.
- If the account owner has already died, **work with an estate attorney and tax professional** to determine the best payout strategy and minimize tax consequences.

Pro Tip: Naming a **spouse or other individual** as the beneficiary allows them to do a **direct rollover into an inherited IRA**, which qualifies for lifetime stretch RMDs or the **10-year payout rule** instead of being forced into a shorter, tax-heavy withdrawal schedule.

Mistake #9: Young Spouse Beneficiary Does a Spousal Rollover Too Soon

Why This is a Big Deal:

If you inherit an **IRA from a spouse**, you have the **unique option** to do a **spousal rollover**—*treating the IRA as your own*. While this is often a good move, **younger spouses (under 59½)** who need access to the funds could trigger an unnecessary **10% early withdrawal penalty**.

Unlike a **non-spouse inherited IRA**, which allows **penalty-free withdrawals at any age**, a **spousal rollover locks the funds into standard IRA rules**—*meaning withdrawals before 59½ are subject to the 10% penalty*.

What Happens if You Get This Wrong?

- If you **roll the IRA into your own** and then withdraw money before **59½**, you'll owe a **10% early withdrawal penalty** on top of **income taxes**.
- This mistake **cannot be undone**—once a spousal rollover is completed, the money is treated as your own IRA permanently.
- You **lose the flexibility** to withdraw funds penalty-free if needed.

Here's How to Fix It:

Best Practice: If you're **under 59½** and might need access to the money, **keep the IRA as an inherited IRA instead of rolling it over right away**. This allows you to **withdraw funds at any time without penalties**.

If You Already Made This Mistake:

- Unfortunately, a **spousal rollover is irreversible**.
- Work with a financial planner to **strategize other ways to access cash** if needed, such as using other assets.

Pro Tip: There's **no deadline to do a spousal rollover!** If you're unsure, **keep the account as an inherited IRA until you turn 59½**. Then, you can **roll it over penalty-free**.

**You worked hard for your retirement—
now, make sure you keep more of it.**

The IRS is constantly changing the rules, and even a small mistake could cost you thousands. By avoiding these 9 common tax traps, you can **protect your savings and maximize your retirement income**.

Ready to take the next step? We've created even more **free and premium resources** to help you **stay ahead of costly mistakes and make smarter financial decisions.**

- **Watch the Free Special:** Learn expert tax-saving strategies from America's IRA Experts.
>> [Watch Now](#)
- **Explore More Free Resources:** Access our blog, FAQs, and tools to make informed financial decisions.
>> [Start Here](#)

Work With a Trained Financial Professional

Most financial advisors **aren't trained in IRA distribution planning**—in fact, fewer than **1% of advisors** have the expertise needed to help you navigate complex retirement tax decisions.

That's why **Ed Slott's Elite IRA Advisor Group** was created—a network of financial professionals who undergo **continuous, in-depth training** on advanced **retirement tax strategies**. These advisors stay ahead of **ever-changing tax laws** to help retirees make informed, tax-smart decisions and avoid costly mistakes.

To learn more about **the importance of working with a trained professional** and find additional retirement tax resources, [learn more here.](#)

Don't let the IRS dictate your retirement. *Take action today.*

Christian Cordoba, has been a member of Ed Slott's Elite IRA Advisor Group since 2007—receiving in-depth training and direct support from Ed Slott & Company's team of IRA experts year-round.



1419 Highland Avenue
Manhattan Beach, CA 90266

888-643-7472
info@CRAdvisors.com

www.CRAdvisors.com



Meet America's IRA Experts



Ed Slott and Company is America's leading source for retirement tax education. We are an **independent, education-only firm**—we do not sell investments or insurance products.

Our team of nationally recognized IRA experts—including **CPAs, tax attorneys, and financial planners**—trains thousands of financial professionals and answers over 5,000 complex retirement tax questions each year.

Founded by **Ed Slott, CPA**—a best-selling author, Professor of Practice at The American College of Financial Services, and one of the nation's foremost IRA authorities—we are known for turning complicated tax rules into clear, actionable strategies.

"The Best Source for IRA Advice" – *The Wall Street Journal*

"Tough to find anyone who knows more about IRAs than CPA Slott" – *USA Today*

Whether you're saving for retirement, already retired, or managing a legacy, our mission is simple: **Help you avoid costly tax mistakes—and keep more of what you've earned.**

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076. Mutual Advisors, LLC and California Retirement Advisors takes no responsibility for the current accuracy of this information. Ed Slott and Company LLC is not affiliated with Mutual Advisors. © 2025 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

This is being provided for informational purposes only and should not be construed as a recommendation to buy or sell any specific securities. Past performance is no guarantee of future results, and all investing involves risk. The views expressed are those of California Retirement Advisors (CRA) and do not necessarily reflect the views of Mutual Advisors, LLC or any of its affiliates. CRA, nor any of its members, are tax accountants or legal attorneys, and do not provide tax or legal advice.

For tax or legal advice, you should consult your tax or legal professional.