What causes investors the most anxiety?

Is it the ups and downs of the market? Worrying about whether they'll outlive their savings?

Sure, those are classic concerns that keep many investors up at night. But recent conversations I've had with clients have reminded me of another topic that can turn smart and confident people into indecisive worrywarts. The topic is IRA rollovers.

IRA rollovers involve moving your money from your 401(k), 403(b) or other employer-sponsored account into an Individual Retirement Account that your previous employer has absolutely nothing to do with. For some people, making that jump is scarier than going over Niagara Falls.

When a person leaves a job or reaches retirement age, they have the ability to roll their retirement plan assets away into a self-directed IRA, one that they control. Why would you do that? For one thing, leaving your money in an employer plan can be expensive. There are all kinds of hidden costs associated with workplace retirement plans, including higher-than-average management fees and administrative fees.

Often, the money to pay those fees comes from—you guessed it—the assets of participants in 401(k)'s and other retirement plans. All in all, rolling assets into a self-directed IRA can potentially save an investor thousands of dollars a year. On top of that, IRAs can be more easily managed to limit taxes, and to make sure you don't outlive your savings.

So why do so many investors hesitate to do IRA rollovers? A lot of it, I've found, is simple fear of the unknown. Investors are reluctant to roll over because they don't understand the benefits of doing so. And above all, they are afraid of making a mistake: After all, for many people, the assets in their retirement plans are the majority of their life savings.

Some investors feel their money is safer in employer-sponsored accounts, even if they're

retired, because federal laws protect their assets. But federal laws can't protect against the tax hits and the nickel-and-dime fees that can hold back the growth of your portfolio.

That's what happened with a new client I'll refer to as Frank. Frank, a retired schoolteacher, had $150,000 in his 403(b) account, and he was frustrated. As of late 2010, the value of that account was right where it had been a decade earlier. Part of the reason was the fees and taxes, and part of it was the limited investment choices within the plan. Frank didn't even known that he was eligible to roll his account into an IRA.

Now, having said all that, there is a caveat. There are cases when IRA rollovers don't make sense. Here's an example: A 75-year-old client recently called me and explained that she was considering rolling the $200,000 in her government-job retirement plan into a Roth IRA. A Roth IRA allows you to pay income taxes when you put money into it; that's different from a traditional IRA, in which you pay the taxes when you withdraw the money.

This client—let's call her Mary—was considering a Roth IRA rollover because she probably wasn't going to need the money in her lifetime. She wanted her kids to have it, but she didn't want them to have to pay taxes when they ultimately took the money out of the account.

What she didn't realize was that the rollover she had in mind would have had a huge tax impact immediately. That's because the money being rolled in to the Roth IRA would be considered income—and that fact would bump Mary, who is still employed, into a higher tax bracket. One solution for people like Mary: a partial conversion. By rolling a portion of her retirement plan assets each year into the Roth IRA, it's possible in some cases to avoid bumping up your tax bracket.

To reiterate: Not all kinds of IRA rollovers work for all kinds of investors. But for many investors, IRAs' fee structure, tax structure and wide selection of investments is a vast improvement over employer-sponsored plans like 401(k)'s and 403(b)'s. If you need help making sense of IRA rollovers, give me or your financial adviser a call. It can be well worth the time.