2025 · CAN I DO A NET UNREALIZED APPRECIATION (NUA) DISTRIBUTION?

Searcy Financial — Where you stand.
Allos Investment Advisors

Start Here

Do you have employer stock (or stock resulting from a corporate re-org, merger or spinoff) in an employer retirement plan?

- Yes → Is it phantom stock or stock options?
- No → Sorry, you cannot do an NUA distribution.

Is it phantom stock or stock options?

- No → Do you have investments in the retirement account, other than employer stock (such as mutual funds)?
- Yes → Sorry, you cannot do an NUA distribution.

Do you have investments in the retirement account, other than employer stock (such as mutual funds)?

- Yes → If you do an NUA distribution, you can roll the non-employer stock investments into an IRA or an eligible retirement plan (or convert to a Roth IRA) to potentially minimize your tax liability.
- No → Was part or all of the employer stock distributed in-kind to a taxable brokerage account?

Was part or all of the employer stock distributed in-kind to a taxable brokerage account?

- No → Did this distribution occur after a triggering event, such as death, separation from service, or reaching age 59 ½?
- Yes → Was the entire vested account balance (not just the employer stock) distributed from the employer plan in a single tax year?

Did this distribution occur after a triggering event, such as death, separation from service, or reaching age 59 ½?

- No → Sorry, you cannot do an NUA distribution.
- Yes → Was the entire vested account balance (not just the employer stock) distributed from the employer plan in a single tax year?

Was the entire vested account balance (not just the employer stock) distributed from the employer plan in a single tax year?

- Yes → You qualify for an NUA distribution for the portion of the employer stock rolled over to a taxable brokerage account. Continue on to determine your tax liability.
- No → Sorry, you do not qualify for an NUA distribution. You must wait until the next triggering event before doing an NUA distribution.

Sorry, you do not qualify for an NUA distribution. You must wait until the next triggering event before doing an NUA distribution.

You qualify for an NUA distribution for the portion of the employer stock rolled over to a taxable brokerage account. Continue on to determine your tax liability.

Are you over the age of 59 ½?

- Yes → The cost basis of the shares is subject to ordinary income tax upon distribution from the retirement plan.
- No → The cost basis of the shares is subject to ordinary income tax and possibly a 10% penalty upon distribution from the retirement plan.

The cost basis of the shares is subject to ordinary income tax upon distribution from the retirement plan.

If on Medicare, you may be subject to IRMAA surcharges. See "Will I Avoid IRMAA Surcharges On Medicare Part B & Part D?" flowchart.

The cost basis of the shares is subject to ordinary income tax and possibly a 10% penalty upon distribution from the retirement plan.

Unrealized gains that occurred within the retirement plan will be taxable as LTCG (regardless of the holding period) when the employer stock is sold, but not subject to the 3.8% Medicare surtax (NIIT).

Subsequent gains incurred beyond the date of the distribution will be taxed as STCG or LTCG based on the holding period from the distribution date until the time of sale.

In addition, you may be subject to the 3.8% Medicare surtax (NIIT).

© fpPathfinder.com. Licensed for the sole use of Searcy Financial of Searcy Financial Services, Inc.. All rights reserved. Used with permission. Updated 12/01/2024.