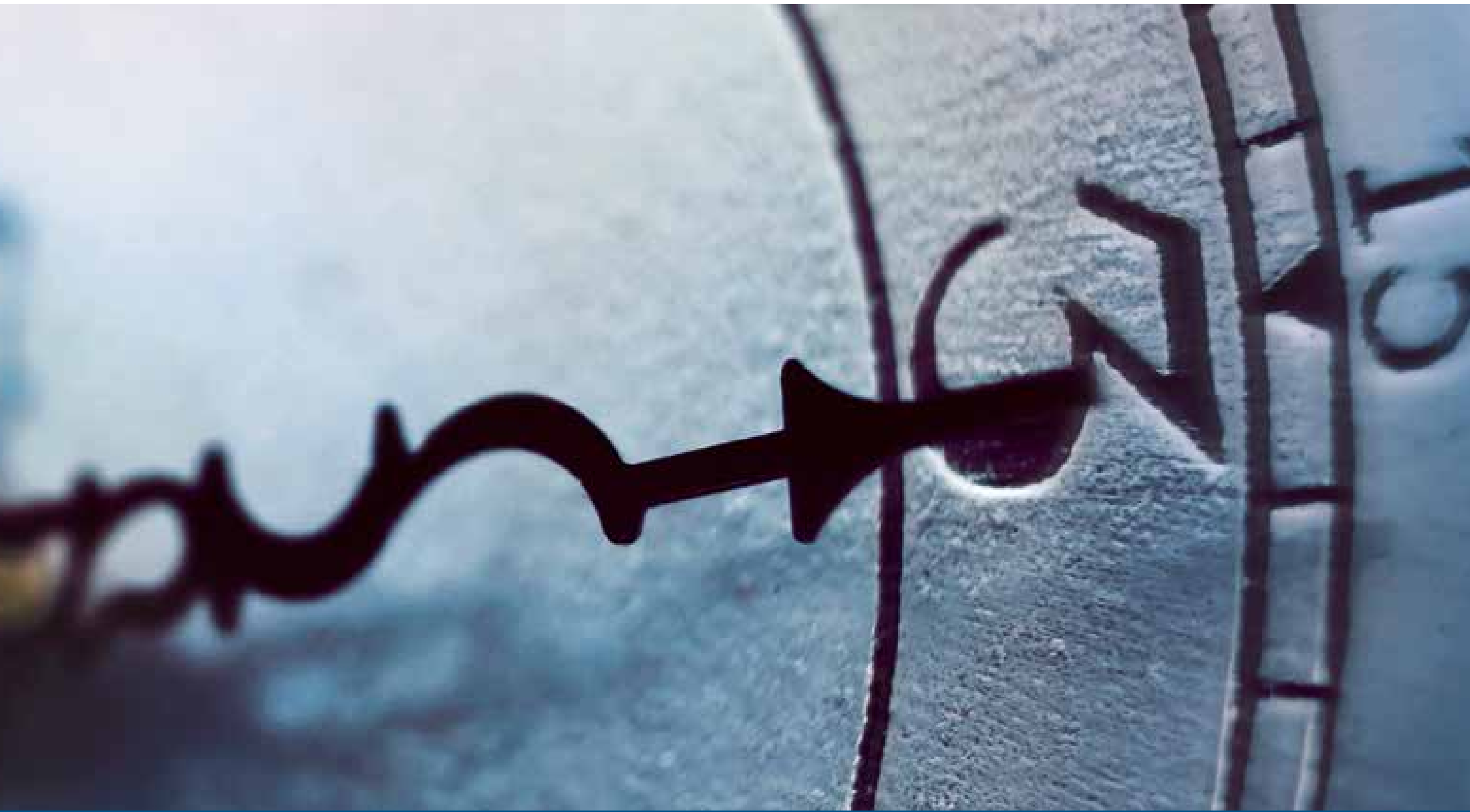
Rollover IRAs

Consider the advantages of consolidating your retirement savings



Consider the Advantages of Consolidating Your Retirement Savings

If you have changed jobs, left the workforce or plan to retire, you likely have one or more 401(k)s or individual retirement accounts (IRAs). Like most people, your retirement savings probably represents the majority of your assets from years of hard work. Ensuring these savings are working toward your goals requires planning, expertise and professional guidance.

If you are at a key retirement decision point or have not recently reviewed your progress toward achieving your retirement goals, now may be a good time to have a conversation to explore your alternatives.

Your advisor can help you identify your needs and make the right choices, ultimately designing a strategy to help you achieve your goals. One strategy to consider is rolling over or transferring your assets into an IRA.

You should keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Types of Retirement Accounts

Consider these types of employer plans and IRAs when talking to your advisor about your retirement savings:

- Traditional IRAs
- Roth IRAs
- Rollover IRAs
- Inherited IRAs
- SEP IRAs
- SIMPLE IRAs
- 401(k) Plans
- 403(b)(7) Custodial Accounts
- Government 457(b) Plans
- Defined Benefit Plans
- Profit Sharing Plans
- Money Purchase Pension Plans

Options for Employer Plan Assets

If you have multiple 401(k)s or other qualified retirement plans from various employers, you generally have the four options broadly highlighted below when you separate from service. There are potential tax implications for each option and keep in mind that some options involve additional fees and investment expenses. Before making a decision, you should obtain all the details and consult with your advisor and tax or legal professional regarding your specific situation.

Keep assets in your former employer's plan

This option allows you to protect your tax-deferred status with potential protection from creditors. However, your investments, withdrawals and timing options may be limited and older plans may be neglected or forgotten.

Move assets to your new employer's plan

This option allows tax-deferred status with possible access to certain proprietary investments and preferred pricing. However, your investments, withdrawals and timing options may be limited.

Cash out

This option allows you immediate access to your retirement plan assets. However, it is possible you may owe nearly 50% in federal (and state) income taxes, in addition to a mandatory 20% employer withholding.[1]

Roll over assets to an IRA

This option allows you to consolidate retirement assets and take advantage of a range of investment options and tax deferral. However, keep in mind that no loans are allowed and required minimum distributions (RMDs) must begin at age 70½ for traditional IRAs.

[1] Estimate is based on the highest federal income tax of 39.6% and state income tax (up to 11% in some states).

Why a Rollover IRA May Make Sense

Consolidating your retirement savings into a Rollover IRA offers many benefits including simplified account management, access to a broader array of investment choices and a more complete picture of your retirement assets. Your advisor can help develop a comprehensive asset allocation strategy for your Rollover IRA that is tailored to your specific retirement goals.

What Are the Tax Advantages of a Rollover IRA?

Rolling over retirement plan assets to a Rollover IRA can be a key tax strategy to keep your hard-earned savings growing:

> You do not pay federal or state taxes if you roll over employer plan assets to a Rollover IRA. However, if you do not roll over to an IRA and instead take a distribution from a plan, 20% will automatically be withheld from your distribution, you will be required to pay income taxes and there may be additional penalties if you are under age 59½.

> Taxes on earnings are deferred until you withdraw the money for retirement. Taxes will be due only on the amount you withdraw from the Rollover IRA each year.

What is a Rollover IRA?

A Rollover IRA is a retirement account that receives assets from an employer's qualified retirement plan, such as a 401(k), 403(b) or pension plan. Assets in a Rollover IRA may be invested in mutual funds, individual stocks and bonds, and other investments that can be aligned with your goals and tolerance for risk.

You can also transfer other IRA assets to a single Rollover IRA.

Please contact your advisor and tax or legal professional regarding limitations and restrictions for IRA rollovers and transfers.

Rollover Decision Considerations

There are many considerations in rolling assets from your former employer's plan to an IRA. Below are some of the areas of comparison to talk through with your advisor as you explore the option of rolling over or consolidating retirement assets to an IRA. Every individual's situation is different so make sure you have a conversation to review all your options.

Considerations	Qualified Employer-Sponsored Plan (e.g., 401(k), 403(b)(7) or Pension Plan)	IRA
Investment Options	May have limited investment menu but may also have lower fees and expenses or proprietary investments (e.g., employer stock)	Broad range of investment options, including: mutual funds, exchange-traded funds (ETFs), equities, fixed income and alternative investments
Fees and Expenses	Varies by plan and service provider, but generally includes investment management and advisory fees; administrative fees (e.g., record keeping, compliance, trustee fees) may also apply	Costs vary based on services you choose and may include investment management and advisory fees, commission and sales charges, and IRA account fees (e.g., brokerage fees, maintenance and termination fees)
Services	Varies by plan and generally includes investment advice, planning tools, educational support and other services	Varies based on services you choose and may include investment advice, planning tools, educational support and other support
Penalty-Free Withdrawals	May begin at age 55 if you are retired or separated from service Please note: Check your plan provisions for your options	Generally begins at age 59½ for traditional IRAs; qualified Roth distributions may be income tax-free[2]
Protection from Creditors and Legal Judgments	Typically unlimited under federal law	Federal bankruptcy protection for Rollover IRA balances and up to an inflation-adjusted $1 million for other IRA assets; non-bankruptcy protection varies by state laws[2]
Required Minimum Distributions (RMD)	Not generally required to begin until you retire and have reached age 70½; RMD rules apply to plan balances, including designated Roth accounts	For Traditional IRAs: RMDs must begin at age 70½; for Roth IRAs: Lifetime RMDs do not apply
Employer Stock	If available, may take advantage of Net Unrealized Appreciation (NUA) rules[2]	Employer stock may or may not be eligible to be rolled over; if rolled over, you lose opportunity for NUA

Considerations	Qualified Employer-Sponsored Plan (e.g., 401(k), 403(b)(7) or Pension Plan)	IRA
Consolidation	May roll other eligible retirement assets into plan if allowed by plan	Available
Beneficiary Flexibility	Limitations may exist for non-spouse beneficiaries[2]	Typically allow the naming of any person, group or entity subject to custodian or trustee review and plan document rules
Contributions	Not permissible if no longer employed by employer	Subject to IRA rules, including age and earned income requirements[2]
Loans	May be available at the discretion of employer or plan provisions	Not permitted
Distribution Withholding Instructions	Automatic cash-out provisions may apply for small balances; distributions taken in cash are generally subject to mandatory 20% federal withholding[2]	No automatic cash-out rules; federal withholding on distributions is optional[2]

What is the Difference Between a Direct and Indirect Rollover?

A *direct rollover* occurs when assets in your employer's retirement plan are moved directly to an IRA without you taking receipt of the money. The IRA custodian will receive your plan assets directly into your Rollover IRA, and you will be notified when the money has been transferred. Alternatively, you may receive a check made payable to your new IRA custodian, which you may then send to the new custodian to deposit in your IRA.

With an *indirect rollover*, you receive a check made payable in your name for the amount distributed from your employer plan (minus the mandatory 20% tax withholding). You have 60 days from the date on the check to deposit the check you receive and the amount withheld into a Rollover IRA to avoid income tax and IRS penalties. Otherwise the 20% that was withheld by your former employer may be subject to taxes and penalties on that amount.

[2] Please speak with your tax professional regarding your specific situation.

> Rolling over retirement plan assets to a Rollover IRA can be a key tax strategy to keep your hard-earned savings growing. It is a strategy that should be evaluated carefully when you change jobs or retire. Make sure you review investment options, fees and investment-related expenses, services available to you, and tax and legal considerations before making your decisions.

Other Special Strategies and Options

Net Unrealized Appreciation

If your former employer's retirement plan included an option for you to hold employer stock, there is a special tax strategy that you should consider before beginning the rollover process. This special tax treatment is called Net Unrealized Appreciation, or NUA. It is the difference in the current value of employer stock and the cost you paid for the shares. By withdrawing all of your retirement plan assets from your previous employer's plan within the same tax year as a lump sum distribution, and rolling over all of your holdings except the employer stock, you may be able to reduce the impact of income taxes.

In order to benefit from the NUA strategy, specific steps must be taken in a specific order. Be sure to discuss this option with your tax and legal professionals if your employer plans contain any employer stock. Your advisor has access to tools and information to help you compare your options and make an informed decision.

Roll Directly to a Roth IRA

You may now choose to roll over former employer plan assets to a Roth IRA directly from your 401(k), 403(b) and other employer plan types in order to complete a conversion of the plan assets to a Roth IRA. Previously, conversion of plan assets to a Roth IRA was a two-step process and there was an income eligibility restriction. Both of those limitations have been removed and rolling former employer retirement assets to a Roth IRA may be a tax strategy to consider; however, you will owe tax on all pre-tax contributions and earnings in the year of the conversion.

If your former plan offered a Roth 401(k) or Roth 403(b), you may also roll those plan assets directly to a Roth IRA without incurring any tax liability during the transition.

Access to Your Rollover Assets

If you need access to the assets in your Rollover IRA before you reach age 59½, you may do so, but you will likely be assessed a 10% early withdrawal penalty. To avoid this income tax penalty, a "substantially equal periodic payments" strategy may work for you. Talk to your tax and legal professionals about calculating this option before taking any early distributions. Your advisor can provide tools and information to help you compare your options and make an informed decision.

Beneficiary Stretch Option

If you are interested in leaving some or all of your retirement savings to your heirs, you may also want to consider the "stretch" IRA strategy as a way to extend tax advantages of your IRA for future generations. A stretch IRA strategy is a distribution strategy that extends the life of an IRA. The strategy uses a younger designated beneficiary to extend the payout period. Your beneficiaries can elect to receive lump sum distributions from the IRA they inherit or spread the payments from the IRA out over their lifetimes. If they elect to spread out their payments, they can collect income while the assets continue to grow tax-deferred. Additionally, your beneficiaries will be able to name subsequent beneficiaries on their inherited IRAs, again giving the option of spreading out the distribution of your IRA over multiple generations. Please note that the stretch IRA strategy is designed for investors who will not need the assets in their IRA for their own retirement needs. You should be sure to consult with your advisor, and obtain tax and legal advice, before adopting such a strategy.

Your employer's retirement plan may also offer the option for your beneficiaries to spread payments out over their lifetimes or over a specific number of years after your death. Your beneficiaries will also have the option to directly roll over to an inherited IRA to use the stretch IRA strategy after your death.

How Your Advisor Can Help

Your advisor can help you:

- Review your investment strategy to make sure it is appropriate for your goals and risk tolerance
- Create an asset allocation strategy aligned with your goals and provide access to a wide range of investments
- Review investment performance to help manage risk during market ups and downs
- Periodically review and rebalance your retirement assets to your target allocation

Benefits of Consolidating Retirement Accounts

Consolidating your retirement assets from retirement plans with former employers, or other IRAs, makes it easier to create a comprehensive retirement plan, track your progress toward your goals and calculate RMDs once you reach age 70½. Plus, you will enjoy the convenience of a single account statement, which reduces paper and simplifies year-end tax reporting. Keep in mind that fees and investment-related expenses will vary depending on the types of account services and investments you choose and may be higher than the expenses in your employer's retirement plan.

Getting Started

Contact your advisor today to discuss options for your retirement assets and review the pluses and minuses of rolling your employer-plan assets into an IRA. If you decide to roll your employer's plan into an IRA:

1. Fill out an IRA application. Pay special attention to completing the beneficiary section.
2. Contact your former employer's benefits office and provide instructions to release your plan assets. Your advisor can provide detailed instructions that the benefits office may need for processing.
3. Work with your advisor to determine your overall retirement investment strategy, making sure to review your risk tolerance in light of your goals.

Note: When consolidating IRAs, talk to your advisor about the advantages of a direct transfer or rollover.

Contact your advisor to discuss your retirement plans and the appropriate strategy for you.

This information is general in nature and not intended to constitute tax advice. Please consult your tax advisor for more detailed information on tax issues and advice on your specific situation. There are fees, expenses, taxes and penalties associated with IRAs.

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