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INVESTMENTS for GENERATIONS℠

Qualified Plan Rollover Considerations

There are several options available to participants of employer-sponsored retirement plans (i.e. 401(k), 403(b), profit sharing, etc.) when they no longer work for their employer:

- Leave the assets in the current plan, if permitted.
- Rollover the assets to the participant's new employer plan, if one is available and if rollover contributions are permitted.
- Rollover the assets to an existing IRA, or to a new IRA.
- Take a lump sum distribution from the plan.

Each of these options may have advantages or disadvantages based on each participant's individual needs and circumstances. Before a participant makes a decision to move the assets to an IRA, here are some items that should be considered:

Item	***Employer-Sponsored Retirement Plan***	***IRA***
Tax Advantages	Typically, participants contribute pre-tax dollars and are assessed ordinary income tax at distribution. There are exceptions for contributions that are made with after-tax dollars.	Typically, contributions are made with pre-tax dollars and are assessed ordinary income tax at distribution. There are exceptions for contributions that are made with after-tax dollars.
Penalty-Free Withdrawals	Age 55 if separated from service with sponsoring employer during the year they turn 55 or later. Otherwise, age 59 ½. There are some penalty-free exceptions that could apply.	Age 59 ½. There are some penalty-free exceptions that could apply. Some exceptions are different from those available in employer-sponsored plans.
Required Minimum Distributions (RMDs)	In general, they begin at the age of 70 ½, but if the participant is still employed by the plan sponsor, they may be delayed until retirement. Exceptions apply for owners. RMDs may not be rolled into an IRA.	Begin at the age of 70½ (exception for Roth IRAs). RMDs may not be rolled into an IRA.
Fees	What are the underlying expenses of the plan? They may include investment expenses, advisor expenses, administrative fees, etc. Are any of the fees paid by the employer? Are there any distribution fees?	Typically, an Annual Custodian Fee will apply as well as investment-related expenses like commissions, sales charges or advisory fees. There may also be fees associated with account services selected.
Services	Does the participant have access to an advisor for investment advice? Does the plan have any investment or planning tools available to the participants (i.e. financial planning, college savings calculator, etc). Are there any educational materials or seminars that are provided to participants?	Typically, there will be access to an advisor, however, what tools are available (financial planning, college savings, etc.)? Will any educational materials be available?
Investments	Depending on the plan, there may be a limited number of investments available. If the plan is Mutual Fund based, the funds are typically less expensive.	There is typically a larger variety of investment choices available; costs depend on whether a brokerage based IRA or a Money Manager is chosen.
Employer Stock	There may be tax benefits available for distributions of highly appreciated company stock.	Withdrawals of company stock are typically subject to ordinary income tax.
Loans	May be available to current plan participants.	No loans are permitted from IRAs.
Conversion to Roth IRA	There may be a Roth 401(k) available to participants. Rollovers of Roth 401(k) balances to Roth IRAs are tax free. Conversion of non-Roth 401(k) plan balances to Roth IRAs will be taxed as ordinary income. Distributions from the Roth IRA after 5 years and age 59 ½ are tax free.	There will be income tax on the amount of the conversion, however, distributions are typically tax free after 5 years and age 59 ½ .
Protection from Creditors	Participants have unlimited protection from creditors.	Typically, rollover assets have protection in bankruptcy proceedings only. Non-rollover IRA assets have limited bankruptcy protection and protection from creditors varies under state law.

The first step is to check with your plan administrator to verify what options are available.

When participants are making the decision on what to do with plan assets, they should be careful to consider all of the advantages and disadvantages. Look at the specific items outlined above that point out the fees/expenses, investment/service options, potential tax implications, etc.

Benjamin F. Edwards & Co. does not provide tax or legal advice. Please consult with your tax or legal advisor about your particular situation.