Options for your retirement plan savings

Are you considering the various options for your retirement plan savings? Know that what you choose to do with your current retirement savings can have a substantial impact on your future.

You generally have four options for your retirement plan distribution:

• Roll over your assets into an Individual Retirement Account (IRA)

• Leave your assets in your former employer's plan, if allowed by the plan

• Move your assets directly to your new employer's plan, if allowed by the plan

• Take your money out and pay the associated taxes

Each of these options has advantages and disadvantages and the one that is best depends on your individual circumstances. You should consider features such as investment choices, fees and expenses, and services offered. Your financial professional can help educate you regarding your choices so you can decide which one makes the most sense for your specific situation. Before you make a decision, read the information provided in this piece to become more informed and speak with your current retirement plan administrator and tax professional before taking any action.

Option 1 — Roll your retirement savings to an IRA

Rolling your money to an IRA allows your assets to continue their tax-advantaged status and growth potential, the same as in your employer's plan. In addition, an IRA often gives you access to more investment options than are typically available in an employer's plan and investment advice. Your financial professional can support you in your retirement planning process by providing the guidance to make better, informed decisions.

IRA Advantages

There are a few things to consider when naming a trust as an IRA beneficiary.

- Assets retain their tax-advantaged growth potential.
- Rolling your assets into an IRA generally avoids current income taxes and early distribution penalties.
- Access to more investment choices than are typically available in employer plans, providing greater potential diversification.
- Access to investment advice and guidance.
- Additional exceptions to the 10% IRS tax penalty before age 59½ including for higher education and first-time homebuyer.[1]
- Additional contributions are allowed, if eligible.
- IRAs can be consolidated and conveniently maintained with one provider.
- Traditional and Roth IRA contributions and earnings are protected from creditors in federal bankruptcy proceedings to a maximum limit of $1 million, adjusted periodically for inflation.
- Rollovers from qualified plans, SEP, and SIMPLE IRAs have no maximum limit for federal bankruptcy protection.

Keep in mind

- IRA fees and expenses are generally higher than those in your employer's retirement plan and depend primarily on your investment choices.
- Loans from an IRA are prohibited.
- In addition to ordinary income tax, distributions prior to age 59½ may be subject to a 10% IRS tax penalty.[1]
- Required minimum distributions (RMDs) begin April 1 following the year you reach 70½, and annually thereafter. The aggregated amount of your RMDs can be taken from any of your Traditional, SEP, or SIMPLE IRAs. Roth IRA owners have no RMDs.
- IRAs are subject to state creditor laws regarding malpractice, divorce, creditors outside of bankruptcy, or other types of lawsuits.
- If you own appreciated employer securities, favorable tax treatment of net unrealized appreciation (NUA) is lost if rolled into an IRA.

[1]IRA exceptions to the IRS 10% tax penalty are for age 59½, death, disability, Substantially Equal Periodic Payments (SEPP), eligible medical expenses, certain unemployed individuals' health insurance premiums, qualified first-time homebuyer ($10,000 lifetime maximum), qualified higher education expenses, Roth conversions, qualified reservist distribution, or IRS levy.

Option 2 — Leave your retirement savings in your former employer's plan

While this approach requires nothing of you in the short term, managing multiple retirement accounts can be cumbersome and confusing in the long run. And, you will continue to be subject to the plan's rules regarding investment choices, distribution options, and loan availability. If you choose to leave your savings with your former employer, remember to periodically review your investments and carefully track associated account documents and information.

Advantages

There are a few things to consider when naming a trust as an IRA beneficiary.

- No immediate action on your part.
- Assets retain their tax-advantaged growth potential.
- Can typically keep your current investments.
- Fees and expenses are generally lower in an employer-sponsored plan and you will continue to have access to those investments. Please contact your plan administrator for details.
- You avoid the 10% IRS tax penalty if you leave the company in the year you turn age 55 or older (age 50 or older for certain public safety employees).
- Generally, employer-sponsored retirement plans have bankruptcy and creditor protection under the Employee Retirement Income Security Act (ERISA).
- Employer securities (company stock) in your plan may have increased in value. The difference between the price you paid (cost basis) and the stock's increased price is NUA. Favorable tax treatment may be available for appreciated employer securities owned in the plan.

Keep in mind

- Your employer may not allow you to keep your assets in the plan.
- You generally are allowed to repay an outstanding loan within a short period of time.
- Additional contributions are typically not allowed.
- You must maintain a relationship with your former employer, possibly for decades.
- In addition to ordinary income tax, distributions prior to age 59½ may be subject to a 10% IRS tax penalty.
- RMDs from your former employer's plan begin April 1 following the year you reach 70½, and continue annually thereafter.
- RMDs must be taken from each employer-sponsored plan including plan Roth accounts; aggregation is not allowed.
- Not all employer-sponsored plans have bankruptcy and creditor protection under ERISA.

Option 3 — Move your retirement savings directly to your new employer's plan

If you are joining a new company, moving your retirement savings to your new employer's plan may be an option. This may be appropriate if you want to keep your retirement savings in one account, and if you're satisfied with the investment choices offered by your new employer's plan. This alternative shares many of the same advantages and considerations of leaving your money with your former employer.

Advantages

There are a few things to consider when naming a trust as an IRA beneficiary.

- Assets retain their tax-advantaged growth potential.
- Fees and expenses are generally lower in an employer-sponsored plan and you will have access to those investments. Please contact your plan administrator for details.
- You avoid the 10% IRS tax penalty if you leave the company in the year you turn age 55 or older (age 50 or older for certain public safety employees).
- RMDs may be deferred beyond age 70½ if the plan allows, you are still employed and not a 5% or more owner of the company.
- Generally, employer-sponsored retirement plans have bankruptcy and creditor protection under the Employee Retirement Income Security Act (ERISA).
- Retirement assets can be consolidated in one account.
- Loans may be allowed.

Keep in mind

- You may have a waiting period before you can enroll in your new employer's plan.
- Investment options are chosen by the plan sponsor and you choose from those options.
- You can transfer or roll over only plan assets that your new employer permits.
- Your new employer will determine when and how you access your savings.
- Favorable tax treatment of appreciated employer securities is lost if moved into another retirement plan.

Option 4 — Take a lump-sum distribution (taxes and penalties may apply)

You should carefully consider all of the financial consequences before cashing out your retirement plan savings. The impact will vary depending on your age and tax situation. If you absolutely must access the money, you may want to consider withdrawing only what you will need until you can find other sources of cash.

Advantages

There are a few things to consider when naming a trust as an IRA beneficiary.

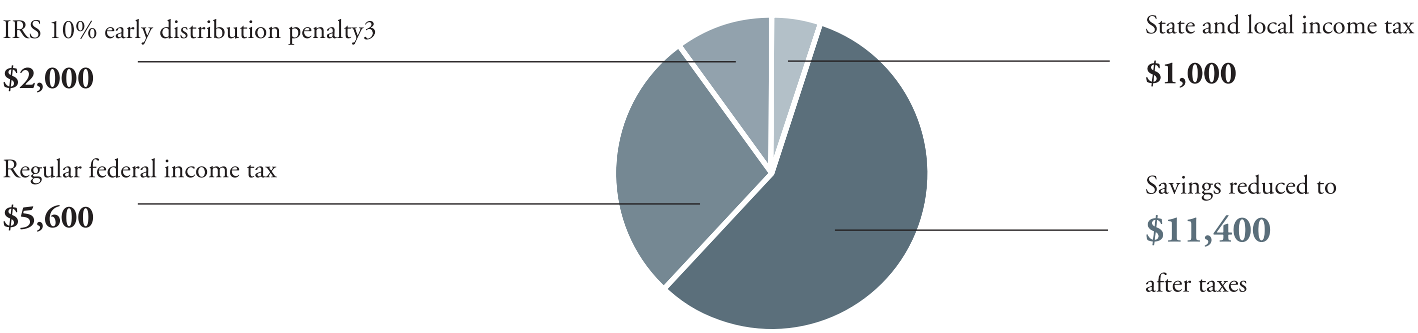
- You have immediate access to your retirement money and can use it however you wish.
- Although distributions from the plan are subject to ordinary income taxes, penalty-free distributions can be taken if you turn:
  - Age 55 or older in the year you leave your company.
  - Age 50 or older in the year you stop working as a public safety employee — such as a police officer, firefighter, or emergency medical technician — and are taking distributions from a governmental defined benefit pension.
- Lump-sum distribution of appreciated employer securities may qualify for favorable tax treatment of NUA.

Keep in mind

- Your funds lose their tax-advantaged growth potential.
- The distribution may be subject to federal, state, and local taxes unless rolled over to an IRA or another employer plan within 60 days.
- If you leave your company before the year you turn 55 (or age 50 for public service employees), you may owe a 10% IRS tax penalty on the distribution.
- Your former employer is required to withhold 20% for the IRS.
- Depending on your financial situation, you may be able to access a portion of your funds while keeping the remainder saved in a retirement account. This can help lower your tax liability while continuing to help you save for your retirement. Ask your plan administrator if partial distributions are allowed from your employer's plan.

Taking a lump-sum distribution can be costly

Here's what's left of a $20,000 cash payout[2]:



[2]For illustrative purposes only. Assumes a 28% federal tax bracket and 5% state and local tax rate. Taxes may vary. Depending on tax bracket, the taxes owed at the end of the year may be higher or lower.

[3]May be assessed if participant is under age 59½ and no penalty exception applies. State penalty may also apply.

Evaluating your retirement plan distribution choices

May be best for you if you want:	Choices to consider			
	Roll assets into an IRA	Leave assets in previous employer's plan	Move assets to new employer's plan	Take a lump-sum distribution
Generally lower fees and expenses		✓	✓	
More investment choices with broader diversification opportunities	✓			
To delay RMDs after age 70½ if still employed			✓	
To take advantage of potentially favorable tax treatment of appreciated employer securities		✓		✓
To avoid current income taxes and IRS early distribution tax penalties	✓	✓	✓	
To continue making contributions	✓		✓	
To maintain the account's tax-advantaged status until distributions are taken	✓	✓	✓	
Continued protection from creditors offered by ERISA		✓	✓	
To consolidate all of your retirement account assets into one account	✓			
To avoid the 10% IRS tax penalty if you turn age 55 or older in the year you leave your company (age 50 or older for certain public safety employees)		✓	✓	✓
To avoid the 10% IRS tax penalty for qualified higher education expenses or as a first-time homebuyer[1]	✓			
To keep current investment choices and services offered		✓		
Flexible distribution options	✓			
Immediate access to your retirement money, and are willing to pay applicable taxes and penalties				✓

Retirement savings tips

Consider these tips that may help grow your retirement savings.

- It may be tempting to spend your savings, but it is important to keep these assets growing in a tax-advantaged account. Contribute a portion of your compensation to your employer plan as soon as you are eligible. Catch-up contributions are available beginning the year you turn age 50.
- Do not miss out, as many employers offer a company retirement match program for employees contributing to the 401(k), 403(b) or governmental 457 plans.
- Avoid taking a plan loan (if allowed by your plan) especially if you may be leaving that employer before the loan is repaid.
- Supplement your retirement savings by making annual IRA contributions. Catch-up contributions are available beginning the year you turn age 50.
- Traditional IRA contributions can be made until the year you turn age 70½. Roth IRA contributions can be made after age 70½ as long as you qualify.
- Review your asset allocation at least annually.
- Create a written retirement plan.
- Update your beneficiary forms when you experience any life event such as marriage, divorce, births, or death of a beneficiary.

With you every step of the way

Everyone has a different vision of retirement that requires a unique financial strategy. Our firm can support you in your retirement planning process by providing the guidance needed to make better, informed choices. We will meet with you and help create a comprehensive plan that takes into account your complete financial picture. Your financial professional will be with you every step of the way to monitor your progress and adapt your plan as needed. Working together, we'll design and implement a retirement plan that will help you live out your unique vision of retirement.

When considering rolling over assets from an employer plan to an IRA, factors that should be considered and compared between the employer plan and the IRA include fees and expenses, services offered, investment options, when penalty-free distributions are available, treatment of employer stock, when required minimum distributions begin, and protection of assets from creditors and bankruptcy.

Investing and maintaining assets in an IRA will generally involve higher costs than those associated with employer-sponsored retirement plans. You should consult with the plan administrator and a professional tax advisor before making any decisions regarding your retirement assets.