DOL PTE COMPLIANCE FORM
QUALIFIED PLAN ROLLOVER DISTRIBUTION OPTIONS

Employer-sponsored plans such as 401(k)s, 403(b)s and certain pensions plans are retirement programs that employers provide. Employee contributions are typically withdrawn from earnings before being deposited into a bank account. As an added incentive, employers may also contribute a certain amount to an employee's retirement based on the amount of the employee's annual contribution ("company match"). The decision to withdrawal, transfer, or rollover retirement plan savings is an important one and the choices available should be considered.

There are generally four choices for qualified plan distributions:

1. Rollover qualified assets into an Individual Retirement Account ("IRA")
2. Keep qualified assets in former employer's plan (if allowed)
3. Transfer qualified assets to current employer's plan (if allowed)
4. Lump-sum distribution

Any option selected has its own set of advantages and disadvantages. The most suitable option will depend on the circumstances and goals of the employee. Certain factors to consider are the choice of investments, fees, fund expenses, as well as the services that are offered. Please review the information in this brochure and consult with a tax professional and retirement plan administrator before making any rollover decisions.

OPTION 1: ROLLOVER QUALIFIED ASSETS INTO AN IRA

A rollover occurs when transferring the holdings of one retirement plan to another without suffering tax consequences.

Advantages:

- Assets retain their tax-advantaged growth potential. By rolling savings into an IRA, early distribution penalties and income taxes associated with lump-sum distributions may be avoided.
- Access to more investment choices than are typically available in employer plans, providing greater potential diversification.
- Increased access to guidance and investment advice.
- IRAs have certain Internal Revenue Service ("IRS") tax penalty exceptions, such as those for first-time homebuyers even if assets are withdrawn prior to the age 59½. There are exceptions to the IRS tax penalty including the use of assets to cover certain higher education expenses, disability, certain medical expenses, qualified first-time-home purchase among others. Consult a tax professional for additional information.
- IRAs can be conveniently consolidated and maintained with one custodian.
- IRA earning and contributions are protected from creditors in federal bankruptcy proceedings to a maximum.
- There are no maximum limits for federal bankruptcy protection for rollovers from qualified plans, Simplified Employee Pension ("SEP"), and Savings Incentive Match Plan for Employees ("SIMPLE IRAs").

Items to Consider:

- The fees and expenses associated with IRAs are generally higher than those in the former employer's qualified plan. These fees generally depend on investment choices and advisory services.
- "Loans" from an IRA are not allowed.
- In addition to the income tax, distributions prior to age 59½ may be subject to an IRS tax penalty of 10%.
- Required Minimum Distributions ("RMDs") begin April 1 following the year the employee reaches 72 years of age (70½ if born before July 1, 1949) and annually thereafter. Roth IRA owners have no RMDs.

- IRAs are held to state creditor laws regarding malpractice, divorce, or other types of lawsuits. Maximum caps in federal bankruptcy proceedings may be lower than Employee Retirement Income Security Act ("ERISA").
- If employee owns appreciated employer securities, favorable tax treatment of net unrealized appreciation ("NUA") is lost if rolled into an IRA.

OPTION 2: KEEP QUALIFIED ASSETS IN FORMER EMPLOYER'S PLAN

If a former employer allows a former employee's funds to be kept in its retirement account after departure, this may be a potential option. This option will not require action to be taken in the short term, however, managing several retirement accounts can be confusing in the long term. Leaving retirement savings in a previous employer's plan will also require the adherence to the previous plan's rules in regards to loan availability, investment options and distributions.

Advantages:

- No immediate action is required.
- Tax-advantaged growth potential is retained.
- Will typically be able to keep current investments.
- Fees and expenses may be lower in an employer-sponsored plan.
- Not subject to the 10% IRS tax penalty if departing in the same year employee turns age 55 or older
- Employer-sponsored retirement plans generally have creditor and bankruptcy protection under ERISA.
- The company stock in the plan may have increased in value. The difference between the price paid ("cost basis") and the stock's increased price is net unrealized appreciation.

Items to Consider:

- Former employer may not allow former employees to keep assets in the plan.
- Allowed to repay an outstanding loan within a short period of time.
- Any additional contributions typically won't be allowed.
- Must maintain a relationship with former employer for long term.
- Any distributions taken prior to age 59½ may be subject to a 10% IRS tax penalty on top of any ordinary income tax.
- RMDs from a former employer's plan begin April 1 following the year the employee reaches age 72 (70½ if born before July 1, 1949) and continue annually thereafter.
- RMDs must be taken from each employer-sponsored plan, including plan Roth accounts; aggregation is not allowed.

OPTION 3: TRANSFER QUALIFIED ASSETS TO CURRENT EMPLOYER'S PLAN

If starting employment with a new company, new employees may be able to transfer retirement savings to the new employer's plan. This is a potential option for employees that would like to keep all of retirement savings in one account. This alternative shares many of the same advantages and considerations of leaving money with a former employer.

Advantages:

- Tax-advantaged growth potential is retained.
- Fees and expenses may be lower in an employer-sponsored plan.
- Not subject to the 10% IRS tax penalty if departing in the same year employee turns age 55 or older
- RMDs may be deferred beyond age 72 (70½ if born before July 1, 1949) if the plan allows, employee is still employed and not a 5% or more owner of the company.
- Employer-sponsored retirement plans generally have creditor and bankruptcy protection under ERISA.
- All of retirement assets can be placed in one account.
- Loans may be allowed.

Items to Consider:

- There may be a waiting period before starting a new employer's plan.
- Can only choose from the investment options that are chosen by the plan sponsor.
- Can only rollover plan assets that are permitted by the new employer.
- How and when savings are accessed will be determined by the new employer.
- The favorable tax treatment of appreciated company stock is lost if the assets are rolled over into another plan.

OPTION 4: LUMP-SUM DISTRIBUTION

A Lump-Sum distribution is a one-time payment for the entire amount in a retirement savings account. There may be many financial consequences associated with cashing out retirement plan savings. The impact will vary depending tax circumstances and age of the employee. Those in need of access to money may want to consider only withdrawing the money that is needed until another cash source can be identified.

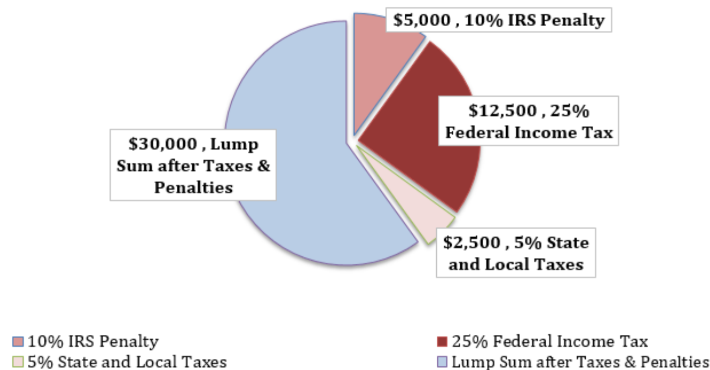
Advantages:

- Able to keep money in a bank account and have the ability to withdraw it immediately.
- Penalty-free distributions can be taken only if the employee:
    - Departed the company in the same year they also turned age 55 or older; or
    - Turns age 50 or older in the year they stop working as a public safety employee and is taking distributions from a government defined benefit pension.
- Lump-sum distribution of appreciated company stock might qualify for favorable tax treatment of net unrealized appreciation.

Items to Consider:

- Assets will lose their tax-advantaged growth potential.
- The money may be subject to federal, state, and local taxes, unless it is rolled into IRA or another employer plan within 60 days.
- Employee may owe a 10% IRS tax penalty on the distribution if leaving the company before the year in which the employee turns 55 years of age.
- Previous employer is required to withhold 20% for the IRS.
- May have the ability to perform a partial withdrawal. This will help lower tax liability.

$50,000 Early Lump-Sum Distribution Example



This information is for illustrative purposes only. This example assumes a 25% 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. The 10% IRS tax penalty may be assessed if participant is under age 59½ and no penalty exception applies. State penalty may also apply. Please check with the state in which the employee resides and a tax professional for specific details.

SUMMARY OF OPTIONS

Benefit	Rollover to IRA	Leave in Previous Employer's Plan	Move to Current Employer's Plan	Lump-Sum Distribution
Generally lower expenses and fees		X	X	
More investment choices with broader diversification options	X			
Delay RMDs if still employed			X	
Avoid IRS early distribution tax penalties and respective income tax payments	X	X	X	
Make additional contributions	X		X	
Tax advantaged status	X	X	X	
Protection from creditors through ERISA		X	X	
Consolidate all retirement savings into one account	X			
10% IRS tax penalty exceptions for a first-time homebuyer[1] or for qualified higher education expenses.	X			
Flexible distribution options	X			
Immediate access to cash				X

When considering rolling over qualified assets from an employer plan to an IRA, please consider the following factors: fees and expenses; services offered; investment options; when penalty-free distributions are available; treatment of employer stock; when required minimum distributions begin; 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 plans. Consult with the plan administrator and tax professional before making any decisions regarding any retirement assets.

Each person's situation is unique and each person has a different vision of retirement that requires a unique financial strategy. Our firm can guide and provide advice regarding retirement assets and planning by providing information and insight needed to make informed decisions.

FIDUCIARY ACKNOWLEDGMENT

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice).
- Never put our financial interests ahead of yours when making recommendations (give loyal advice).

[1] There are exceptions to the IRS tax penalty including the use of assets to cover certain higher education expenses, disability, certain medical expenses, qualified first-time-home purchase among others. Please consult with a tax professional for additional information.

- Avoid misleading statements about conflicts of interest, fees, and investments.
- Follow policies and procedures designed to ensure that we give advice that is in your best interest.
- Charge no more than is reasonable for our services.
- Give you basic information about conflicts of interest.

ADDITIONAL CONSIDERATIONS

For recommendations to roll over assets from an employee benefit plan to an IRA, the relevant factors include, but are not limited to:

- The alternatives to a rollover, including leaving the money in the investor's employer's plan, if permitted;
- The fees and expenses associated with both the plan and the IRA;
- Whether the employer pays for some or all of the plan's administrative expenses; and
- The different levels of services and investments available under the plan and the IRA.

When considering the alternatives to a rollover, financial professionals generally should not focus solely on the retirement investor's existing investment allocation, without any consideration of other investment options in the plan. For rollovers from another IRA or from a commission-based account to a fee-based arrangement, a prudent recommendation would include consideration and documentation of the services under the new arrangement. Financial professionals should make diligent and prudent efforts to obtain information about the existing employee benefit plan and the participant's interests in it.[2] If the information is not otherwise available, the financial professional should make a reasonable estimation of expenses, asset values, risk, and returns based on publicly available information.[3]

[2] In general, such information should be readily available as a result of DOL regulations mandating disclosure of plan-related information to the plan's participants.

[3] The financial professional should document and explain the assumptions used and their limitations. In such cases, the financial professional could rely on alternative data sources, such as the most recent Form 5500 or reliable benchmarks on typical fees and expenses for the type and size of plan at issue.