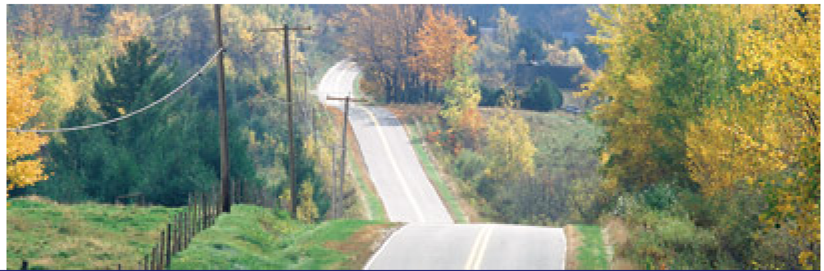
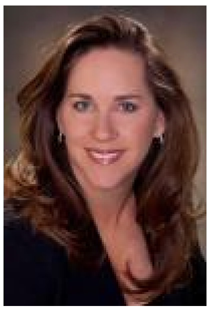


YOUR FINANCIAL FUTURE

Strategies for Managing Your Assets

January 2014



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Rollover Options: Into Your New Plan or Into an IRA

Have you switched jobs recently and are wondering how to handle the rollover of your old account? Which move is better for you: into your new employer's account, or into a rollover IRA? Here are some key factors to help you decide.

Potential Benefits of Rolling Over to Your New Employer's Plan

Putting all your retirement savings into one 401(k) or 403(b) plan has its advantages.

- Rolling over your assets into your new employer's plan will make it easier for you to track the performance of your assets. You don't have to worry about coordinating your asset allocation and diversification among multiple accounts.
- Your new plan may offer more attractive investment options, as well as additional services, such as financial-planning advice.

Potential Downsides

There are a number of disadvantages to rolling over into your new employer's plan, including:

- Not all plans accept rollovers, so workers must contact the new plan's administrator to determine if a rollover into the new 401(k) plan will be possible.
- Many plans have waiting periods before processing a new employee's rollover, which vary by plan and can last weeks or months.
- Some plans may require a lengthy verification process for rollover funds to ensure they are tax-qualified.
- Beneficiary distributions from employer-sponsored plans are generally taken in lump sums as cash payments.

Potential Benefits of Rollover IRAs

Moving your account to a rollover IRA offers the following benefits:

- As the IRA account owner, you make the key decisions that affect management and administrative costs, overall level of service, investment direction, and asset allocation. You can develop the precise mixture of investments that best reflects your own personal risk tolerance, investment philosophy, and financial goals.
- IRAs can be more useful in estate planning than employer-sponsored plans as the assets can generally be divided among multiple beneficiaries in an estate plan. Each of those beneficiaries can make use of planning structures such as the Stretch IRA concept to maintain tax-advantaged investment management during their lifetimes.

Potential Downsides

While there are many advantages to consolidated IRA rollovers, there are some potential drawbacks to keep in mind.

- Assets greater than $1 million in an IRA may be taken to satisfy your debts in certain personal bankruptcy scenarios.
- Assets in an employer-sponsored plan cannot be readily taken in many circumstances.
- You must begin taking distributions from an IRA by April 1 of the year after you reach 70½ whether or not you continue working, but employer-sponsored plans do not require distributions if you continue working past that age.

Efficient Rollovers Require Careful Planning

One common goal of planning for a lump-sum distribution is averting unnecessary tax withholding. Under federal tax rules, any lump-sum distribution that is not transferred directly from one retirement account to another is subject to a special withholding of 20%. This withholding will apply as long as the employer's check is made out to you -- even if you plan to place equivalent cash in a rollover account immediately.

Keep in mind, too, that the 20% withholding is not your ultimate tax liability. If you spend the lump-sum distribution rather than reinvest it in another tax-qualified retirement account, you'll have to declare the full value of the lump sum as income and pay the full tax at filing time. In addition, the IRS generally imposes a 10% penalty tax on withdrawals taken before age 59½.

Remember, the laws governing retirement assets and taxation are complex. In addition, there are many exceptions and limitations that may apply to your situation. Therefore, you should obtain qualified professional advice before taking any action.

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