Qualified plan rollovers–factors to consider

If you have terminated your employment and have savings invested in an employer-sponsored retirement plan, such as a 401(k) plan or 403(b) plan, you may be eligible to roll those assets into an Individual Retirement Account ("IRA") without paying taxes on the distribution. **However, a rollover into an IRA is not your only option.** As a plan participant, you generally have four options (and may engage in a combination of these options):

- Leave some or all of your savings with your former employer's plan, if the plan allows;
- Transfer your assets from your former employer's plan to your new employer's plan, if allowed;
- Cash out of your plan or take a distribution from your plan (but that could subject you to federal and applicable state and local taxes); or
- Roll the assets over into an IRA.

Each of the above choices may have potential benefits and drawbacks, the importance of which will depend on the features of your plan and your specific needs and circumstances. The decision to move your retirement assets is an important one. Below is a non-exhaustive list of the factors you should consider before making a decision to roll your assets over into an IRA.

Investment options
An IRA may provide you with a broader range of investment options than those available in your current plan. Many plans are limited to a handful of investment options.

Fees and expenses
Both your plan and an IRA are subject to investment-related expenses and fees. You should compare the sales fees, service fees, and account fees, as well as administrative fees and expenses of your various options. Your UBIS financial advisor can help you compare the fees and expenses of an IRA account to the fees associated with your employer-sponsored plan, provided you and/or your advisor can consult your plan documents or administrator. For more information about 401(k) fees, see the Department of Labor's publication, *A Look at 401(k) Plan Fees*, which can be found at https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/a-look-at-401k-plan-fees.pdf. You may also read more about IRA rollovers on FINRA's Investor Alerts website through https://www.finra.org/media-center/news-releases/2014/finra-issues-new-investor-alert-ira-rollover-10-tips-making-sound.

Services
Different levels of service may be available under each option. Some plans provide access to investment advice and educational or planning tools. Similarly, IRA providers offer different levels of service, which may include full brokerage service, investment advice, distribution planning and access to securities execution online.

Penalty-free withdrawals
If you leave your job between age 55 and 59½, you may be able to take penalty-free withdrawals from your plan. In contrast, penalty-free withdrawals generally may not be made from an IRA until age 59½. It also may be easier to borrow from your plan.

Protection from creditors and legal judgments
Generally, plan assets receive protection from creditors under federal law, while IRA assets are protected only in bankruptcy proceedings. State laws may vary in the protection of IRA assets in lawsuits.

Required minimum distribution
Both employer plans and IRAs require that you make required minimum distributions, whether you are retired or not, by April 1 of the year following the year in which you turn 72 (70½ if you reached 70½ before January 1, 2020).

Employer stock
If you hold a significant amount of appreciated employer stock in your plan, there may be negative tax consequences with rolling that stock into an IRA. Those tax considerations should be discussed with a tax advisor prior to transfer or liquidation.

If you have questions and would like to talk to a UnionBanc Investment Services® financial advisor, visit your local Union Bank® branch or call 800-634-1100.

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