STIFEL

Important IRA Rollover Considerations

Overview

Typically, retirement plan participants have several alternatives regarding the distribution of retirement assets they have accumulated in an employer-sponsored plan. This may occur upon retirement, termination of service from the sponsoring employer, or an in-service withdrawal.* The following options may generally be available:

- Leave the money in the former employer's plan, if permitted
- Roll over the assets to a new employer's plan, if one is available and rollover contributions are permitted
- Distribute the account value ("cash out")
- Roll over assets to an IRA

The features, benefits, and applicability of each choice mentioned above will differ for each person, and your specific financial and retirement planning needs should be considered. In most cases, you do not need to act immediately upon switching jobs or retiring, and you should carefully assess your options.

Factors to Consider Before Rolling Assets to an IRA

Each situation is unique, and the following factors should also be considered prior to rolling over assets to an IRA:

- **Investment Options –** The number and type of investment options may be restricted by an employer-sponsored plan. For example, some employer-sponsored plans may only offer a core menu of mutual funds. In a brokerage IRA, there is usually a broader array of products available, such as stocks, bonds, and mutual funds to name a few.

- **Fees and Expenses –** The following should be considered:
  - What are the employer-sponsored retirement plan's fees for investments, advisory, administration, and recordkeeping?
  - Are they charged to the participants or paid by the employer?
  - Are there charges for distributions and rollovers to IRAs?

  For large employer-sponsored plans subject to institutional pricing, investment fees might be lower (or no cost) than in an IRA. At Stifel, transaction and/or advisory fees vary depending on the product and/or program selected. Also, Stifel charges an annual IRA custodial fee, which may be reduced depending on the number of accounts held with the Firm.

- **Services –** Does the employer-sponsored plan offer planning tools, telephone help lines, investment advice, education materials, or workshops? Such services should be compared to Stifel's full-service brokerage and financial planning services.

- **Penalty-Free Withdrawals –** When participants terminate service between the ages of 55 and 59½, they may be able to take penalty-free withdrawals from a plan. Penalty-free withdrawals cannot be made from an IRA until the IRA holder reaches age 59½. Some penalty exceptions may apply for both account types.

- **Protection From Creditors –** In general, assets in an employer-sponsored plan may have unlimited protection from creditors under federal law. IRA assets are typically protected in bankruptcy proceedings only. As state laws vary, the participant should obtain more information from his or her attorney if this is of concern.

- **Required Minimum Distributions –** RMDs must begin in the year the participant reaches age 73 for both plan assets and IRAs (with the exception of Roth IRAs); however, RMDs may be delayed from plans until retirement depending on ownership status and if the plan allows for this provision.

* *An in-service withdrawal is a type of withdrawal that is made from a qualified retirement plan account while the participant is still employed with the plan sponsor. In-service withdrawals may not be available in all plans.*

- **Employer Stock –** A distribution of highly appreciated employer stock from a plan offers special tax advantages, which are not available if the stock is rolled to an IRA. A plan participant should consider the negative tax consequences of rolling the stock to an IRA. However, the risk of owning too much employer stock in one's retirement account and not being sufficiently diversified must also be evaluated. Before taking any action, plan participants should consult their tax advisor for advice based on their particular situation.
- **Loans –** Consider any outstanding loans in the current plan and also whether the new employer's plan offers a loan provision. Loans are not allowed from IRAs.
- **Roth Conversions –** Employer-sponsored plans may or may not allow for Roth contributions, as well as in-plan Roth conversions. This depends on the provisions outlined in the plan document. IRAs always allow for the conversion of assets to a Roth IRA. Roth conversions are typically taxable as ordinary income for the year they are executed.

Employer-sponsored plan participants should check with their plan's administrator to verify the options available in their plan.

Decisions to roll over or transfer retirement plan or IRA assets should be made with careful consideration of the advantages and disadvantages as discussed above. Stifel does not offer tax advice. Individuals should consult their tax advisor regarding their particular situation as it pertains to tax matters.

For more information on important considerations when making the decision to roll over assets, please visit: https://www.finra.org/investors/learn-to-invest/types-investments/retirement/401k-investing/401k-rollovers.

For Stifel's Fee Schedule, please contact your Stifel Financial Advisor.