MAINSTAY CAPITAL MANAGEMENT LLC

Registered Investment Advisor

**Important Information For Retirement Plan Participants**

# Know Your Options:

## What To Do With Your Retirement Savings[1]

It's important to understand the options for the savings you have in your former employer's retirement plan. If you are eligible to take your money out (this is known as a distribution), there are typically four possible options.

There are advantages and drawbacks for each option. You should consider the differences in investment options, fees and expenses, tax implications, services and penalty-free withdrawals.

This summary can help you identify some important considerations.[2] There may be other factors to consider due to your specific needs and situation. You may wish to consult with your tax or legal advisor.

**Retirement Savings Options**

- Roll savings into an Individual Retirement Account (IRA)
- Keep savings in your former employer's retirement plan
- Roll savings to your new employer's retirement plan
- Cash out savings and close the account

*(May use a combination of these options)*

## Retirement Savings Options

| Roll Savings into an IRA | |
|---|---|
| ***Advantages*** | ***Drawbacks*** |
| • Maintains tax-deferred status of savings<br>• Continue to make contributions and save for retirement<br>• Combine other qualified plans or IRA savings into one account<br>• Offers greater control as it's your account and you make the decisions<br>• Offers broad range of investment options to fit needs as they change over time<br>• Protected from bankruptcy<br>• May have the services of a financial professional to help with investing and retirement planning<br>• Flexibility when setting up periodic or unscheduled withdrawals<br>• May help with planning and managing required minimum distributions at age 73 | • Investment expenses and account fees may be higher than those of employer plans<br>• No fiduciary required to prudently monitor the cost and quality of the investment options<br>• IRS penalty-free withdrawals generally not allowed until age 59½<br>• Loans not allowed. Can only access money by taking a taxable distribution<br>• Limited protection from creditors<br>• In-kind transfers of company stock to an IRA will result in appreciated value being taxed as ordinary income at withdrawal from an IRA |
| *It's important to know the types and range of investments and fees of an IRA* | |

*In-service withdrawals may be allowed while you are still working for the company sponsoring the retirement plan. Check with the plan administrator for details and requirements.

[1] These considerations were prepared for pre-tax 401(k) accounts. Some – but not all – of these considerations may also apply to other types of plans and/or accounts (e.g., Roth after-tax accounts). You may wish to consult a tax advisor if you participate in a different type of plan or hold a different type of account.

[2] These descriptions are for general educational purposes and should not be construed as advice or recommendations. This is not tax or legal advice and you may wish to consult with your tax or llegal advisors on these issues.

*(over, please)*

## Keep savings in your former employer's plan

| Advantages | Drawbacks |
| --- | --- |
| • Maintains tax-deferred status of savings<br>• Keeps current investment choices<br>• Preserves any guaranteed interest rate<br>• Keeps ownership of company stock in the account where it may have certain tax benefits at withdrawal<br>• Fees in employer plan may be lower than similar individual accounts<br>• Plan fiduciary required to prudently monitor the cost and quality of the investments options<br>• IRS penalty-free withdrawals if you're at least 55 years old in the year you left your job<br>• Protected from creditors and bankruptcy<br>• Plan may provide access to planning tools, educational resources and phone helpline | • Changes made to the plan by your former employer will impact you (i.e., plan investments, fees, services, plan providers, plan termination)<br>• Investment choices limited to those offered through your former employer's retirement plan<br>• Subjects you to limitations of the plan, including income distribution provisions when you retire<br>• Account may be assessed fees for plan administration or other reasons<br>• Access to personalized investment advice or advice that takes into account your other assets or particular needs may not be available through the retirement plan<br>• No new contributions allowed |

*Check with your former employer's plan administrator to confirm plan details and requirements.*

## Roll savings to your new employer's plan

*This is an option if you are joining a company that offers a retirement plan*

| Advantages | Drawbacks |
| --- | --- |
| • Maintains tax-deferred status of savings<br>• Continue to make contributions and save for retirement<br>• Combine other qualified plans or IRA savings into one account<br>• Fees in employer plan may be lower than similar individual accounts<br>• Plan fiduciary required to prudently monitor the cost and quality of the investments options<br>• IRS penalty-free withdrawals if you're at least 55 years old in the year you leave your new job*<br>• Protected from creditors and bankruptcy<br>• Plan may provide access to planning tools, educational resources and phone helpline<br>• Loan provisions may allow borrowing from the rolled over money<br>• No required minimum distribution at age 73 from a current employer's plan is required, unless you are a 5% or more owner of the company | • Changes made to the plan by your employer will impact you (i.e., plan investments, fees, services, plan providers, plan termination)<br>• Investment choices limited to those the plan offers<br>• Subjects you to limitations of the plan, including income distribution provisions when you retire<br>• Account may be assessed fees for plan administration or other reasons<br>• Access to personalized investment advice or advice that takes into account your other assets or particular needs may not be available through the retirement plan<br>• Plan may offer fewer or more expensive investment options than your former employer's plan.<br>• May be more restrictive on withdrawals while still employed<br>• Roll-ins may not be allowed or an eligibility period may need to be satisfied<br>• In-kind transfers of company stock will result in appreciated value being taxed as ordinary income at withdrawal from the retirement plan |

*Check with the plan administrator to confirm plan details and requirements.*

## Cash out savings and close the account

| Advantages | Drawbacks |
| --- | --- |
| • Immediate access to cash<br>• May see significant tax advantage for company stock that has substantially appreciated<br>• If after-tax contributions were made, could take these amounts tax-free (though you will be required to pay tax on the earnings of these contributions) | • At distribution, 20% withheld on the taxable account balance for pre-payment of federal income taxes<br>• State taxes and a 10% early distribution penalty may also apply on taxable account balance<br>• May move you to a higher tax bracket<br>• Forfeits future tax-deferred growth potential<br>• Not protected from creditors or bankruptcy |

*If this money is no longer set aside for retirement, will you have the savings you need when you want to retire or can no longer work?*