IRA Rollover Disclosure

The assets in your employer's retirement plan may be the largest sum of money you have ever accumulated. A recommendation to rollover plan assets to an IRA rather than keeping assets in a previous employer's plan or rolling over to a new employer's plan should reflect consideration of various factors, the importance of which will depend on your individual needs and circumstances.

Distribution options:
A plan participant leaving an employer typically has four options (and may engage in a combination of these options):

- Leave the money in your former employer's plan, if permitted.
- Rollover the assets to your new employer's plan, if one is available and rollovers are permitted.
- Rollover to an IRA; or
- Cash out the account value

Some factors to consider:

Investment options:
Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.

- Employer retirement plans generally have a more limited investment menu than IRAs which may have very few limitations.
- Employer retirement plans may have unique investment options not available to the public such as previously closed funds, employer securities, stable value investment funds, or investment options that might otherwise be inaccessible because of high minimum investment requirements.

Managing your investment costs:
All investments have costs associated with them whether in an IRA or your employer's retirement plan. Investment-related expenses may include sales loads, commissions, mutual fund expenses, and investment advisory fees.

- You should understand the cost structure of all investment options available in your employer's retirement plan and how the costs compare with those available in an IRA.
- You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.

Availability of advice:
An investor should consider the different levels of service available under each option. An IRA may offer you access to advice and services that may not be available in your employer's retirement plan.

- If you are not comfortable making investment decisions without professional assistance, you should consider whether your employer's retirement plan offers enough assistance for your needs. Some plans, for example, provide access to investment advice, planning tools, telephone help lines, education materials and workshops.
- If you want a professional to be able to consider all your assets including those from the plan holistically in a financial planning context, you may want to consider an IRA. An IRA managed by Equistar Wealth Management will include full investment advice and contribution/distribution planning as part of your comprehensive financial plan.

Contributions and Withdrawals:

- After you leave your employer, you may not continue making contributions to the employer plan.
- Rolling over old work plans into an IRA is a good way to consolidate retirement funds, which can help you stay in control by minimizing paperwork and streamlining withdraws.
- It may be easier to access assets in an IRA than in your employer's plan, which may have strict rules as to when a participant can access their account and what dollars are available. Even in an emergency, loans and/or hardship withdrawals from a plan may not necessarily be allowed. IRAs carry no such restrictions.
- IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses, or the purchase of a home.
- Another exception to the 10% early distribution penalty is "72(t) payments" which permit annual distributions based on life expectancy. Employer plans may not always provide for 72(t) payments.
- If an individual separates from service during or after the calendar year in which he/she attains age 55, distributions from the employer's plan (but not IRAs) are exempt from the 10% early distribution penalty.
- Required Minimum Distributions (RMDs) must be taken from traditional IRAs beginning at age 72. If you are still working, you may delay RMDs from an employer plan until you retire or separate from service.
- Once you terminate employment, you may not be able to take a loan from your employer's retirement plan since most do not permit loans to inactive employees. Loans are not available from IRAs.
- If you are charitably inclined, qualified charitable distributions (QCDs) are available from IRAs only.
- When it comes to estate planning, IRAs can be more easily coordinated with an overall estate plan. For example, IRA owners can name anyone they wish as their IRA beneficiary, including a charity. Funds in a company retirement plan are normally subject to rules that require the spouse be named as beneficiary unless the spouse signs a waiver.

Cash out:
If you choose to cash out of your employer plan, you will pay tax on all of the (non-Roth) value of the account and may be subject to a 10% penalty if you are younger than 59 ½.

Managing administrative fees:
Both IRAs and employer retirement plans have administrative costs associated with them. You will need to do some research to be able to compare them.

IRAs

- An IRA managed by Equistar Wealth Management will owe advisory fees as listed in your advisory agreement.
- Charles Schwab does not charge an administrative/annual fee for an IRA account.

Employer Plans

- Plan fees typically include plan administrative fees (e.g., recordkeeping, compliance, accounting, plan communication, trustee, and other miscellaneous fees) and fees for services such as access to a customer service representative. In some cases, employers pay for some or all of the plan's administrative expenses. If not, you are paying expenses either through deductions from your account or higher investment costs.
- You should determine whether your employer's plan imposes different fees on terminated employees that you are not used to paying. For example, some companies pay administrative expenses only for active employees, meaning once you terminate employment, you may be charged with these expenses.

Protecting assets from creditors

- Generally speaking, plan assets have unlimited protection from creditors under federal law, while IRA assets are protected in bankruptcy proceedings only. State laws vary in the protection of IRA assets in lawsuits.

These are examples of the factors that may be relevant when analyzing available options and the list is not exhaustive. Other considerations also might apply to your specific circumstances.