PRE-MEETING OVERVIEW

COLUMBIA THREADNEEDLE INVESTMENTS

EXPLORING IN-SERVICE DISTRIBUTIONS

What to know before your meeting

Many people have discovered that their employer's retirement plan includes a flexible feature: the in-service/non-hardship distribution option. Clients should take into account any potential tax consequences, expenses and sales charges and/or penalties for selling or buying investments, including rolling over an in-service/non-hardship distribution into an IRA. In fact, many types of plans — 401(k), profit sharing and even defined benefit plans — allow in-service/non-hardship distributions. If your plan includes this provision, you may be able to roll over assets from your company's retirement plan into an IRA while you are still employed. Your financial advisor will work with you as you decide whether this approach is right for you. Alternatively, you could leave the assets in your current plan, roll over the assets to a new employer's plan or simply distribute the assets, potentially subject to tax and penalty.

Whether a rollover is right for you is a question that can only be answered after considering all your distribution options (e.g., withdrawing the assets, leaving the assets in the plan or rolling them to an IRA or another employer's plan). You may find that an in-service/non-hardship distribution and rollover could provide access to more investment options, risk management strategies and diversification approaches[1] than you have now. Plus, you may gain access to a wider variety of guaranteed retirement income options.

When contemplating a rollover, you should consider several factors, including the following: available investment options, fees and expenses, whether your employer pays plan costs, services, taxes and penalties, creditor protection, required minimum distributions and the tax treatment of employer stock. You can work with your financial advisor to make sure your retirement assets are integrated into your broader financial plan and managed in the most appropriate way to help you achieve your financial goals.

Questions to review before your meeting

Q: Does my plan allow in-service/non-hardship distributions?

A: If an in-service/non-hardship distribution option is available, details should be included in the summary plan description (SPD) for your plan. If you don't have a copy of your plan's SPD, ask your human resources department or log on to your benefits website for a copy. You can also talk to your financial advisor about other ways to obtain plan information about in-service/non-hardship distributions, such as requesting a copy of the full plan document.

Q: Are there restrictions?

A: Not all plans offer in-service/non-hardship distributions, and of those that do, the eligibility criteria vary and are unique to each plan, according to the provisions of the plan document. If your plan offers in-service/non-hardship distributions, you may be able to take at least a portion of your account balance at any time without restrictions. Alternatively, you may be required to meet certain criteria before being able to take an in-service/non-hardship distribution. For example, some plans may require you to be a certain age (e.g., at least 59½) or to complete a certain amount of service with your employer.

[1] Diversification does not ensure a profit or guarantee against loss.

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Q: What about taxes and penalties?

A: If you personally receive the distribution, the full amount could be taxed as ordinary income and may be subject to a 10% penalty if you are under age 59½. A direct rollover (where the funds are sent directly to your IRA or another retirement plan) would allow you to defer taxes and any potential penalties until you take a withdrawal at a later date. Of course, it is best to consult your legal and/or tax advisors regarding your specific situation.

Q: Are there any potential drawbacks I should consider?

A: An in-service/non-hardship distribution could lead to possible expenses and sales charges for selling or buying investments; the plan may suspend your matching contributions for a brief period of time; and/or your plan may limit your in-service/non-hardship distributions by the amount or number of withdrawals permitted. It is essential that you and your advisor understand the fee differences that could be associated with staying in the plan versus moving to an IRA.

Checklist to complete before your meeting

Your financial advisor can help you review your plan documents, determine the amount you may be eligible to receive and evaluate your options. Before you meet with your financial advisor, you may want to gather some important information and documents, including:

- ☐ The most recent statements from your 401(k), profit sharing or other retirement accounts at work
- ☐ Any plan documents you have in hard copy, such as the SPD (your human resources department can provide a copy if it is not available online)
- ☐ Your plan fee disclosure statement
- ☐ The telephone number of your company's benefits administrator so you and your financial advisor can confirm information and clarify any unclear points
- ☐ Information on other IRAs or retirement accounts you may have — such as a 401(k) plan at a previous employer — to evaluate consolidating all your retirement investments
- ☐ The contact information for your tax advisor should you have additional tax-related questions

CT-MK/**245188 U (11/23)** S3K/6077211