PRE-MEETING OVERVIEW

COLUMBIA THREADNEEDLE INVESTMENTS

Your success. Our priority.

LEAVING A COMPANY: OPTIONS FOR RETIREMENT ACCOUNTS

What to know before your meeting

During your working years, you will reach many decision points that affect your ability to effectively save for retirement. One of the most critical retirement decision points occurs when you become eligible to withdraw your benefits from your employer-sponsored retirement plans.

Plan document provisions will dictate your withdrawal options. The typical options are to distribute the balance, leave the balance in the plan, roll it over to a new employer's plan (if permitted) or complete an IRA rollover or Roth conversion. A distribution decision should only be made after considering several factors, including, but not limited to, available investment options, fees and expenses, services, potential taxes and penalties, creditor protection, required minimum distributions (RMDs) and the tax treatment of employer stock.

Questions to review before your meeting

Q: What are the benefits and disadvantages of the different options?

A: If you take a distribution and keep it, you'll have immediate access to your money, but you will need to include the distribution in your taxable income for the year. Your employer will withhold 20% of the amount for federal tax purposes, and you may be hit with an early withdrawal additional tax unless you qualify for an exception.

If you leave your balance in your employer's plan or roll it over to a new employer's plan, you'll avoid tax penalties. Further, you may be able to take advantage of plan features such as the availability of plan loans and broader protection of your plan assets from creditors. However, investment options will be limited, and it may be difficult to manage assets held in multiple plans.

An IRA rollover allows you to avoid the immediate and early withdrawal taxes that arise upon a distribution, continue to defer taxes on any potential gains on your retirement savings and explore more investment options than your current plan allows. Consolidating accounts could also help you more easily monitor your total financial picture. However, unlike an employer plan, you can't take a loan from an IRA, and depending on your state's laws, assets in an IRA may not be subject to the same level of protection from creditors as plan assets. Before conducting a rollover, it is important to compare the fees, expenses and investment options within your current plan to those within the IRA. In some cases, these costs may be higher in the IRA.

A Roth conversion — either to a Roth IRA or to a Roth account within your workplace retirement plan (if allowed) — would require you to include any converted pretax assets in your taxable income for the year. Any earnings in the Roth IRA or designated Roth account would be tax-deferred, and withdrawals may be free from tax and early withdrawal additional tax, provided you meet certain criteria.

If the distribution includes amounts from your after-tax account, you can complete a tax-free Roth IRA conversion by directing the plan administrator to roll the pretax assets to a traditional IRA and convert the after-tax assets to a Roth IRA.

Q: How will I know what my options are?

A: The withdrawal options available in your plan should be included in the summary plan description (SPD) or plan document. You can also talk to your financial advisor about other ways to obtain plan withdrawal information. Also, if all or a portion of your plan balance is eligible for distribution, and potentially a rollover, your employer will provide you with a special rollover tax notice that will explain your options and the tax and withholding implications depending on what you decide to do with your distribution. It may be helpful to review this notice with your tax professional, as well as with your financial advisor.

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Q: Should I consolidate my other retirement assets?

A: Consolidating your retirement assets from multiple plans may make it easier for you and your financial advisor to take a more holistic approach to retirement savings and income planning, including looking at guaranteed lifetime income options and ensuring your beneficiaries have a broad range of withdrawal options.

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:

- [ ] The most recent statements from your 401(k), profit sharing or other retirement accounts at work
- [ ] A copy of your plan's fee disclosure
- [ ] 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 on your benefits website)
- [ ] A copy of your rollover tax notice from your employer
- [ ] The telephone number of your company's benefits administrator so you and your financial advisor can confirm information and clarify any points that may be unclear
- [ ] 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 so that he or she can address any tax-related questions

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