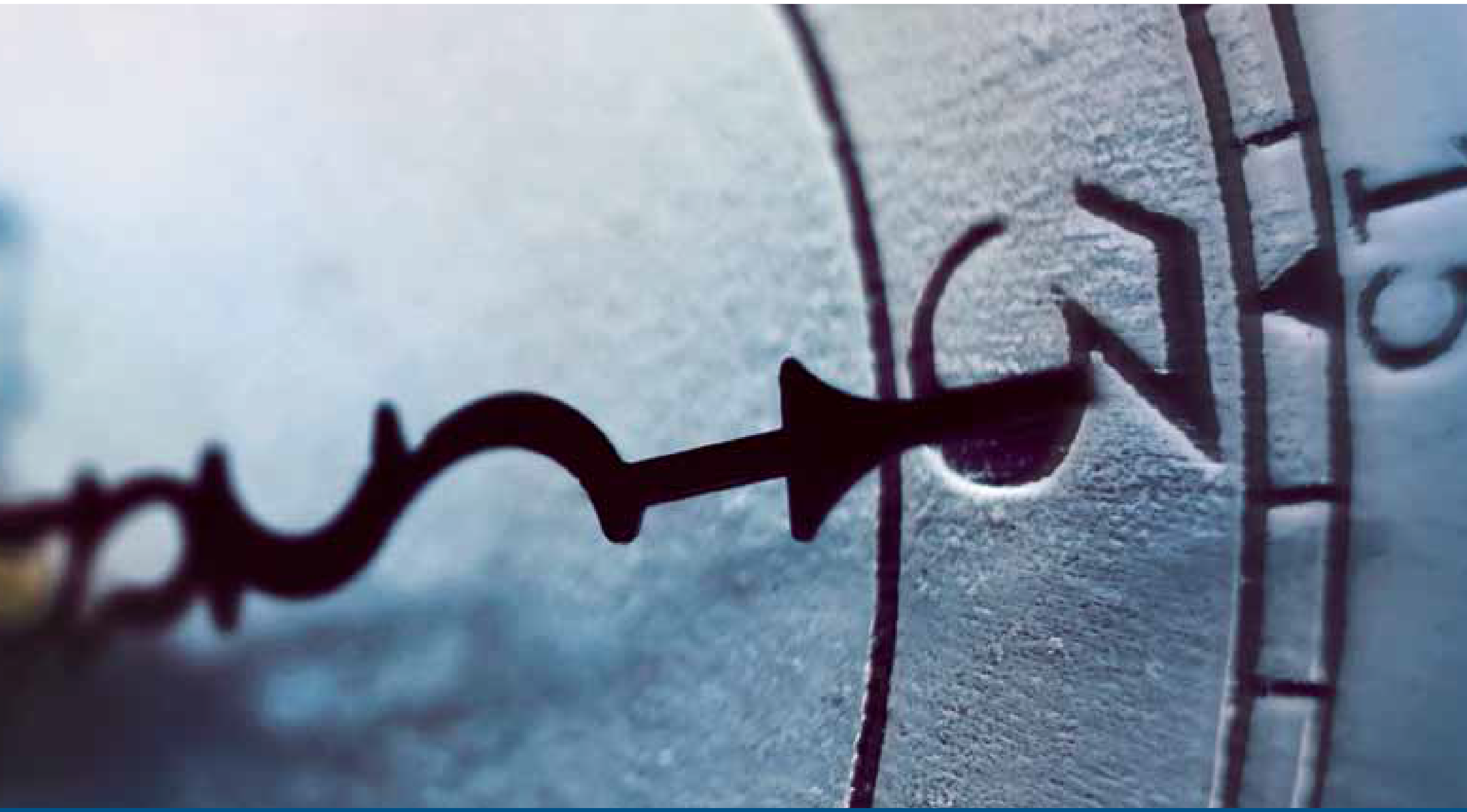
Rollover IRAs

Maximize the potential of your retirement savings



RAYMOND JAMES®

Consolidate Your Retirement Savings With a Rollover IRA

If you have changed jobs, left the workforce or plan to retire, you likely have one or more 401(k)s or individual retirement accounts (IRAs). Like most people, your retirement savings probably accounts for the majority of your assets, representing years of hard work. Ensuring these savings are working toward your goals requires planning, expertise and professional guidance.

One of the best ways to help maximize the potential of your retirement savings and get a complete view of your retirement accounts is to consolidate them in one place by rolling over or transferring your assets into an IRA.

Your financial professional can help you identify your needs and make the right choices, ultimately designing a strategy to help you achieve your goals.

You should keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Types of Retirement Accounts

Consider these types of employer plans and IRAs when talking to your financial professional about your retirement savings:

- Traditional IRAs
- Roth IRAs
- Rollover IRAs
- Inherited IRAs
- SEP IRAs
- SIMPLE IRAs
- 401(k) Plans
- 403(b) Plans
- 457 Plans
- Defined Benefit Plans
- Profit Sharing Plans
- Money Purchase Pension Plans

Options for Employer Plan Assets

If you have multiple 401(k)s or other plans from various employers, you have four options highlighted below. There are potential tax implications for each option. Before making a decision, you should consult with your financial professional and tax or legal advisor regarding your specific situation.

Roll over to an IRA

PROS

- Tax-deferred status protected
- No mandatory withholding or income tax penalties
- Extensive range of investment choices that may better meet your goals
- Ability to continue investing in a tax-advantaged account
- Greater flexibility available for accessing money
- Option to convert to a Roth IRA, which may offer tax benefits[1]
- Your financial professional can help create a personalized retirement strategy and make sure it stays on track

CONS

- No loans allowed
- Required minimum distributions begin at age 70½ for Traditional IRAs
- Lose the Net Unrealized Appreciation (NUA) tax strategy for employer stock held in your former employer's plan
- May lose protection from creditors

Keep in former employer's plan

PROS

- Tax-deferred status protected
- May be able to take a plan loan
- May be able to purchase employer stock
- May have access to certain proprietary investments
- Potential protection from creditors

CONS

- Limited investment options selected by employer
- You are responsible for choosing and managing your investment options within the plan
- Old plans are often neglected or forgotten
- Withdrawal options and timing may be limited by the plan
- Often left in "set it and forget it" mode, which may not be an ideal strategy to help reach your retirement goals

[1] You will owe tax on all pre-tax contributions and earnings in the year of the conversion. A distribution from a Roth IRA is tax-free and penalty-free provided that the account has been open for at least five years and one of the following conditions is met: the account owner is age 59½ or older, the account owner dies or becomes disabled or for a qualified first-time home purchase.

Move to new employer's plan	Cash out
PROS • Tax-deferred status protected • May be able to take a plan loan based on a larger consolidated balance • If you are still working after age 70½, you may be able to defer your required minimum distributions from this new employer's plan • May be able to purchase employer stock • May have access to certain proprietary investments • Potential protection from creditors	**PROS** • Gives you immediate access to your retirement plan assets
CONS • New employer may not allow rollovers into its plan • Limited investment choices selected by employer • You are responsible for choosing and managing your investments • Investments from your former employer's plan may not be available in the new plan, requiring you to sell them and choose from investments offered by the new plan • Often left in "set it and forget it" mode, which may not be an ideal strategy to help reach your retirement goals	**CONS** • There is a 20% mandatory employer withholding on eligible rollover distributions • You may owe nearly 50% of the cash value in taxes if you do not deposit the funds into an IRA within 60 days of the date on the check: • – 10-35% for ordinary federal income taxes • – 5-10% for state and local taxes[2] • – 10% for early withdrawal penalty if you are under age 59½ • Lose tax-deferred growth potential • Cash is not protected from creditors

[2] State and local taxes will depend on your legal residence. Not all states collect income taxes.

Why a Rollover IRA Makes Sense

Consolidating your retirement savings into a Rollover IRA offers many benefits including simplified account management, access to a broader array of investment choices and a complete picture of your retirement assets. Your financial professional can help develop a comprehensive asset allocation strategy for your Rollover IRA that is tailored to your specific retirement goals.

What are the Tax Advantages of a Rollover IRA?

Rolling over retirement plan assets to a Rollover IRA is a key tax strategy to keep your hard-earned savings growing:

> You do not pay federal or state taxes if you roll over employer plan assets to a Rollover IRA. However, if you take receipt of money from a plan, there is an automatic 20% tax withholding, you will be required to pay taxes and there may be additional penalties if you are under age 59½.

> Taxes on earnings are deferred until you withdraw the money for retirement. Taxes will be due only on the amount you withdraw from the Rollover IRA each year.

What is a Rollover IRA?

A Rollover IRA is a retirement account that receives assets from an employer plan, such as a 401(k), 403(b) or pension plan, or other IRAs. Assets in a Rollover IRA may be invested in mutual funds, individual stocks and bonds and other investments that align with your goals and tolerance for risk.

You can also transfer assets from IRAs at other firms to a Rollover IRA.

Please contact your financial professional regarding limitations and restrictions for IRA rollovers and transfers.

Rolling over retirement plan assets to a Rollover IRA is a key tax strategy to keep your hard-earned savings growing.

What is the Difference Between a Direct and Indirect Rollover?

A *direct rollover* occurs when assets in your employer plan are moved directly to an IRA without you taking receipt of the money. The IRA custodian that your financial professional uses will receive your plan assets directly into your Rollover IRA, and you will be notified when the money has been transferred. Alternatively, you may receive a check made payable to your new IRA custodian, which you may then send to the new custodian to deposit in your IRA.

With an *indirect rollover*, you receive a check made payable in your name for the amount in your employer plan (minus a mandatory 20% tax withholding). You have 60 days from the date on the check to deposit it into a Rollover IRA. You must also replace the 20% that was withheld by your former employer from other savings or pay taxes and penalties on that amount.

Special Strategies and Options for Rollover IRAs

Net Unrealized Appreciation

If your former employer's retirement plan included an option for you to hold employer stock, there is a special tax strategy that you should consider before beginning the rollover process. This special tax treatment is called Net Unrealized Appreciation, or NUA. It is the difference in the current value of employer stock and the cost you paid for the shares. By withdrawing all of your retirement plan assets from your previous employer's plan within the same tax year as a lump sum distribution, and rolling over all of your holdings except the employer stock, you may be able to reduce the impact of income taxes.

In order to benefit from the NUA strategy, specific steps must be taken in a specific order. Be sure to discuss this option with your financial professional and your tax or legal advisor if your employer plans contain any employer stock. Your financial professional has access to tools and information to help you compare your options and make an informed decision.

Roll Directly to a Roth IRA

You may now choose to roll over former employer plan assets to a Roth IRA directly from your 401(k), 403(b) and other employer plan types in order to complete a conversion of the plan assets to a Roth IRA. Previously, conversion of plan assets to a Roth IRA was a two-step process, and there was an income eligibility restriction. Both of those limitations have been removed and rolling former employer retirement assets to a Roth IRA may be a tax strategy to consider; however, you will owe tax on all pre-tax contributions and earnings in the year of the conversion.

If your former plan offered a Roth 401(k) or Roth 403(b), you may also roll those plan assets directly to a Roth IRA without incurring any tax liability during the transition.

Access to Your Rollover Assets

If you need access to the assets in your Rollover IRA before you reach age 59½, you may do so, but you will likely be assessed a 10% early withdrawal penalty. To avoid this income tax penalty, a "substantially equal periodic payments" strategy may work for you. Talk to your financial professional and tax or legal advisor about calculating this option before taking any early distributions.

Beneficiary Stretch Option

If you are interested in leaving some or all of your retirement savings to your heirs, you may also want to consider the "stretch" IRA strategy as a way to extend tax advantages of your IRA for future generations. Your beneficiaries can elect to receive lump sum distributions from the IRA they inherit or spread the payments from the IRA out over their lifetimes. If they elect to spread out their payments, they can collect income while the assets continue to grow tax deferred. Additionally, your beneficiaries will be able to name subsequent beneficiaries on their inherited IRAs, again giving the option of spreading out the distribution of your legacy for many years to come. Please note that the stretch IRA strategy is designed for investors who will not need the assets in their IRA for their own retirement needs. You should be sure to consult with your financial professional and tax or legal advisor before adopting such a strategy.

How Your Financial Professional Can Help

Moving assets from a former employer's plan or IRAs held at other firms to a Rollover IRA can help keep you on track to meet your retirement goals. Your financial professional can help you roll over and consolidate your retirement assets and:

> Review your investment strategy to make sure it is appropriate for your goals and risk tolerance

> Create an asset allocation strategy aligned with your goals and provide access to a wide range of investments

> Ensure oversight of your investments to help manage risk during market ups and downs

> Conduct an annual rebalancing of all retirement assets back to your target allocation

You will also receive a consolidated account statement to make it easier to review and track your performance.

Benefits of Consolidating Retirement Accounts

Consolidating your retirement assets from retirement plans with former employers, or other IRAs, makes it easier to create a comprehensive retirement plan, track your progress toward your goals and calculate required minimum distributions once you reach age 70½. Plus, you will enjoy the convenience of a single account statement, which reduces paper and simplifies year-end tax reporting. It can also mean cost savings if you are paying fees at multiple institutions.

Getting Started

Contact your financial professional today to discuss options for your retirement assets. A Rollover IRA is the first step to keep your retirement assets working for you.

To move your plan assets to a Rollover IRA with the help of your financial professional:

1. Fill out the application for a Rollover IRA provided by your financial professional. Pay special attention to filling out the beneficiary section.
2. Contact your former employer's benefits office and provide instructions to release your plan assets. Your financial professional will provide detailed instructions that the benefits office will need for processing.
3. Work with your financial professional on your overall retirement investment strategy, making sure to review your risk tolerance in light of your goals.

Note: When consolidating IRAs, talk to your financial professional about the advantages of a direct transfer.

Contact your financial professional to discuss your retirement plans and the appropriate strategy for you.

Name Here
Title

Raymond James (USA) Ltd.
Address 1
Address 2

T: 000-000-0000 // F: 000-000-0000
first.last@RJLU.com // www.RJLU.com

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