# IRA rollovers and distribution options

## Changing jobs or retiring? Consider an IRA rollover.

Whether you are changing jobs or retiring, you have an important decision to make about any assets you've accumulated in your employer-sponsored retirement savings plan. This decision deserves careful consideration to ensure you remain on track to reach your retirement goals.

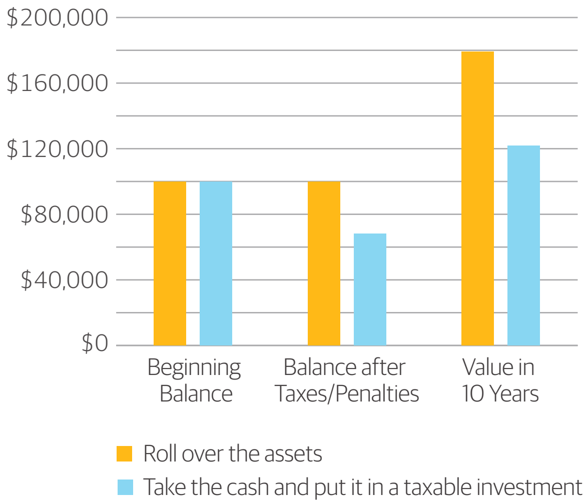
Here is an overview of your options. Your financial representative is available to help guide you through each choice offering advantages and disadvantages depending on your unique financial needs and retirement plans.

## Your retirement plan distribution options:

### Delay distribution

If your employer allows you to keep your assets in your existing retirement plan after your employment with the company ends, you may delay distribution. If allowed, there is usually a minimum balance requirement. Staying in your previous employer's plan requires little action on your part, but restricts your investment options to those available within the existing plan. You may also be able to delay distribution by rolling your assets directly into the retirement savings plan at your new employer, but your investment options will be limited to those under that plan.

### Roll it over or take the cash?




Under 59½ 10% penalty applies. The data shown in the graph includes a tax rate of 32%.

### Take distribution

This option may seem tempting, especially if the account is large. There are taxes and penalties for early distributions, and depleting your retirement plan can have a negative impact on your retirement. Taking a distribution results in a mandatory 20% tax withholding by the employer and the payment of income taxes. You may also incur a 10% penalty if it is taken before you reach age 59½ and forfeit your ability to move the distribution into a qualified plan or IRA after 60 days.

### Roll your retirement savings plan assets into an IRA

An IRA rollover will allow you to continue saving for retirement and allows your assets to continue growing on a tax-deferred basis. Rolling your assets directly into an IRA also allows you to avoid the negative tax consequences and penalties you may incur if you take a distribution at this time. Furthermore, an IRA rollover may offer a wider range of investments than is available to you under your employer-sponsored plan.

### Stay or rollover considerations

There are a number of factors to consider when contemplating rolling assets from your former employer's plan to a new employer's plan or to an IRA. The table on the following page identifies a number of considerations you should be aware of and discuss with your financial representative.

The data is for illustration purposes only and is not intended to imply or assure the performance of any investment. Chart assumes a hypothetical 6%, fixed, compounded rate of return. It is assumed that the balance that will roll over will be deposited into a tax-deferred vehicle. The data shown for the balance taken in cash and put in a taxable investment assumes a 32% tax rate, plus 10% early withdrawal penalty.

| CONSIDERATIONS | STAY IN FORMER EMPLOYER-SPONSORED PLAN | ROLLOVER TO NEW EMPLOYER-SPONSORED PLAN | IRA ROLLOVER |
|---|---|---|---|
| **Eligibility** | Eligibility depends upon your former employer and usually requires $5,000 or more in existing assets. Keeping the assets in your current plan incurs no penalties or taxes. | Eligibility depends upon your new employer. Not all employer plans accept rollover contributions from a previous employers plan. Rolling over to a new plan incurs no penalties, taxes or mandatory withholding. | Allows you to move 100% of your plan assets into a new IRA. Rolling over to an IRA incurs no penalties, taxes or mandatory withholding.* |
| **Investment options** | Investment options may be limited, but may have lower cost funds and proprietary investments (i.e., employer stock). | Investment options may be limited, but may have lower cost funds and proprietary investments (i.e., employer stock). | Generally offers a wider variety of investment options than most employer plans. |
| **Fees and expenses** | Investment management, advisory and plan administration fees (e.g., recordkeeping, compliance, trustee fees). | Investment management, advisory and plan administration fees (e.g., recordkeeping, compliance, trustee fees). | Investment management, advisory/ brokerage and IRA fees. |
| **Services** | Investment advice, planning tools, educational materials may be available.<br>Investment management and advisory services may be limited to plan assets. | Investment advice, planning tools, educational materials may be available.<br>Investment management and advisory services may be limited to plan assets. | Investment advice, planning tools, educational materials available.<br>Investment management and advisory services may be available to IRA assets and other client assets held at the firm. |
| **Penalty-free withdrawals** | 59½, but may begin at age 55, if left employer at the age of 55 or older. | 59½, but may begin at age 55, if left employer at the age of 55 or older. | May begin at age 59½. |
| **Loans** | Generally not permitted. | May be permitted under the plan. | Not permitted. |
| **Protection from creditors and legal judgments** | May have protection under federal law. State laws vary. | May have protection under federal law. State laws vary. | Protected in bankruptcy only. State laws vary. |
| **Required minimum distributions** | Must begin at age 73.<br>Not required for ROTH 401(k)s starting in 2024. | Must begin at later of age 73 or retirement.<br>Not required for ROTH 401(k)s starting in 2024 | Must begin at age 73. |
| **Employer stock** | Stock appreciation may be taxable at capital gains rate when distributed using NUA strategy. | Stock appreciation may be taxable at capital gains rate when distributed using NUA strategy. | Stock appreciation taxed as ordinary income when distributed. |
| **Beneficiary flexibility** | May be limited to spouse-only option. | May be limited to spouse-only option. | Typically allowed for any person, group or entity. |
| **Additional contributions** | Not permissible if no longer employed by employer. | Yes, subject to employer's plan. | Yes, subject to IRA rules. |

* You may make only one indirect rollover IRA contribution in any 12-month period, regardless of the number of IRAs you own. However, you may continue to process multiple trustee-to-trustee transfers between IRAs or make direct rollovers from your employer sponsored plan. Please speak with your tax advisor on the effect of these rules changes.

The information in this brochure is not intended as legal or tax advice. Consult your attorney or tax advisor for advice that is specific to your situation. Contact your Northwestern Mutual representative today for more information concerning your specific financial situation.



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