“Best Interest” Rollover Checklist

For many American workers, the largest investments they may accumulate over their working years will be in qualified retirement plans (such as 401(k), 403(b) or other employer-sponsored plans) or IRAs (individual retirement arrangements under IRC §408). The features, benefits and rules for the various types of plans vary greatly, and it is imperative to understand them before changes/transfers/rollovers are made, since some moves may be irreversible. It is recommended that plan participants and/or IRA owners carefully review the checklist below and verify an understanding of the issues and concepts before making a move with their retirement savings.

To be clear, retirements plans, themselves, are NOT investments, but simply “boxes,” subject to varying governmental rules, into which you (and/or your employer) can make contributions and buy investments. As you move from one box to another, the rules may change. Before moving money between the boxes, it’s important to understand how the rules differ. The table below will compare, at a high level, the differences between employer-sponsored qualified retirement plans and IRAs.

QUALIFIED RETIREMENT PLANS	IRAS
Includes 401(k), profit sharing, other “defined contribution” plans, and, for the most part, 403(b) plans	Includes IRAs, simplified employee pension (SEP) IRAs and savings incentive match plans for employees (SIMPLE) IRAs
OWNERSHIP and CONTROL	
The plan (a trust) holds the participant’s account. The participant’s options and choices are controlled by governing plan language.	The individual taxpayer is the owner of an IRA and, generally, has broad control over it, subject to provisions of the IRA plan agreement.
The participants are subject to plan provisions, which will include available investment alternatives, distribution options, and allowances or restrictions concerning loans and other features. Account access may be limited especially in times of a “blackout” period if the plan administration is being changed. Complete information can be found in the “Plan Document” and a summary of that document can be found in the “Summary Plan Description.”	An IRA owner is in full control of his or her account (subject to custodial or investment platform limitations and tax laws). Complete information on each IRA is provided in the “custodial document.” There are only a few restrictions on investments, namely no life insurance, antiques, coins, collectibles, or some stock options.
INVESTMENT OPTIONS	
Participants are restricted to investment options offered by the plan.	IRA owners are only restricted by what the particular IRA custodian or trustee allows to be offered.
The plan provider generally offers a specific menu of investment choices. Access to annuities and guaranteed income options may or may not be provided. The investment menu is determined by the employer.	Depending on the financial institution where the IRA resides, there can be an extremely wide range of investment options, including annuities, guaranteed accounts, brokerage, stocks, bonds, real estate, mutual funds, ETFs, etc.

QUALIFIED RETIREMENT PLANS	IRAS
COSTS, FEES and SERVICES For both qualified plans and IRAs, there may be several types of fees and all must be fully disclosed. Some may be explicitly stated, such as sales charges; others may be built in, such as mutual fund expenses.	
Fees may vary widely. Some plans provide "institutional pricing" (i.e., a separate, but similar, class of shares offered at a lower price than retail shares), which may mean fairly low overall costs. However, there may be additional fees for additional services, plan administrative fees passed on to participants and, possibly, fees to former workers and beneficiaries who remain in the plan. The plan may offer individual planning tools and advisory services.	Investment expenses and fees may be a bit higher in IRAs since the less expensive institutional shares are generally reserved for qualified plans. Your fees may depend on the type of accounts you hold and the relationship you decide to have with an advisor. IRA custodians and/or financial advisors may offer a wide variety of financial planning tools, which need to be compared to what is available under the employer plan. You should discuss all possible fees and charges before you proceed.
DISTRIBUTION FLEXIBILITY	
Money may not be readily accessible. Withdrawals are based on restrictions contained in the plan document that may be dependent on age, plan design, or investment rules. An IRS early distribution penalty tax may apply for amounts taken before age 59 ½ without an exception.	Generally, amounts are distributable at will, subject to an IRS early distribution penalty tax if taken before age 59 ½ without an exception.
Partial distribution availability will be determined by the plan document. There may be limitations on amounts and/or frequency. Also, a hierarchy, or order, of distribution, which is plan specific, will apply. The plan document may say that deferral money comes out first, matching contributions second, etc. and distributions may be allowed to be taken pro rata from investment accounts, or you may have a choice of investments to withdraw from. See the list on page 4 regarding early withdrawals.	An IRA owner is (generally) in full control of how much to take from various accounts (subject to early and late withdrawal penalties, if any). See the list on page 4 regarding early withdrawals.
BENEFICIARY PLANNING: Documents may not offer the full range of beneficiary options permitted by statute.	
Some plans may put a limit on how many beneficiaries (or contingent beneficiaries) may be named, and whether a trust can be a beneficiary. Beneficiary options may be limited by the plan language. Note: Beneficiary payout rules can be complex.	Generally, many (but not all) IRA providers allow for flexible beneficiary planning, including multiple primary or contingent beneficiaries and trusts
CREDITOR PROTECTION	
Full protection from creditors for ERISA qualified plans. (However, ex-spouses and the IRS can still lay claim, depending on circumstances.)	State laws determine the availability of IRA balances to creditors with this exception: Assets rolled over to an IRA from an ERISA plan retains federal bankruptcy protection.

QUALIFIED RETIREMENT PLANS	IRAS
EMPLOYER SECURITIES AND APPRECIATION IN VALUE If you own stock in the company where you work, or have worked, some special tax rules may apply.	
If qualifying employer securities are distributed in-kind as part of a qualifying distribution, you may be eligible to elect a special tax treatment known as Net Unrealized Appreciation (NUA). This allows you to use lower capital gains tax rates and to postpone taxation on the gain until the year in which you sell the stock.	NUA treatment is not available on distributions from IRAs, even if employer stock is transferred in kind to an IRA. All distributions from an IRA that are a return of pre-tax dollars are taxed as ordinary income.
LOANS	
Only certain plans allow loans; repayment requirements apply. Loans may be allowed, but normally only for active employees. Outstanding loans, typically, have to be paid back when the recipient leaves service. Taxes and penalties may apply if the loan is not repaid.	Loans are **not** allowed, and an IRA may not be used as collateral for a loan.
REQUIRED MINIMUM DISTRIBUTIONS All plans and IRAs eventually require some schedule of distributions.	
Required minimum distributions (RMDs), generally, must start by April 1 of the year after a participant turns age 72. This rule includes Roth 401(k) and Roth 403(b) accounts. Note: If you are still employed at age 72 (and you are not an owner in the business), your RMD may be delayed until the year you quit working, depending on the plan language.	RMDs must start by April 1 of the year after a IRA owner turns age 72, regardless of employment status. No RMDs are required from Roth IRAs, except for an inherited Roth IRA that is still in "inherited status" and not rolled over. If an IRA owner is over 70 ½, he or she may give up to $100,000 to a qualified charity and no tax is due; and if the amount is equal to or greater than the RMD (after age 72), no further distribution is required for that tax year.
ROTH CONVERSION PLANNING Contributions to Roth 401(k) accounts and Roth IRAs are deposited on an after-tax basis and, if conditions are met, withdrawn later tax free, including tax free earnings. Rules regarding Roth conversions are complex.	
Generally, you may be able to contribute to a "designated Roth account" in your employer plan, or move existing pre-tax balances to the designated Roth account, via a conversion, and pay taxes when you do.	IRA balances, both pre-tax and after-tax, may be converted to a Roth IRA, and so can certain qualified plan balances under the right conditions. Generally, the pre-tax balances will be taxable upon conversion whereas the after-tax balances will not. A "5-year clock" applies to each conversion and taxes or penalties may apply if converted amounts or earnings are withdrawn too soon after conversion.

QUALIFIED RETIREMENT PLANS	IRAS
EXCEPTIONS TO THE IRS 10% EARLY WITHDRAWAL PENALTY TAX	
• Coronavirus-related distributions • Age 59 ½ • Death • Disability • Substantially equal periodic payments after separation from service • IRS levy • Certain unreimbursed medical expenses • Qualified reservist distribution • Conversions to Roth IRAs • Separation from Service After Age 55 • Dividends from employee stock ownership plans • Alternate payees pursuant to a qualified domestic relations order • P.S. 58 Costs for life insurance • Timely distributions of excess amounts • Certain distributions to public safety employees after age 50 • Certain withdrawals of contributions from eligible automatic contribution arrangements	• Coronavirus-related distributions • Age 59 ½ • Death • Disability • Substantially equal periodic payments • IRS levy • Certain unreimbursed medical expenses • Qualified reservist distribution • Conversions to Roth IRAs • Qualified Higher Education Expenses • Health Insurance Premiums Following Unemployment • First home purchase expenses ($10,000 lifetime limit)