WELLS FARGO Advisors

Retirement plan distribution options discussion guide

Learn more about retirement plan distribution options (RPDOs) such as:

- Rolling over assets to an Individual Retirement Account (IRA)
- Leaving assets in former employer's qualified employer sponsored retirement plan (QRP), if plan allows
- Moving assets to current/new QRP, if plan allows
- Taking money out and paying the associated taxes

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Objectives

Referencing this guide, the user will be able to:

- Understand the purpose and critical considerations for RPDO discussions
- Use the detailed information outlined in the guide to better understand the key considerations and impacts of moving retirement assets between retirement accounts, such as rolling over assets from QRPs to IRAs
- Understand when FAs are as a fiduciary and what that requires
- Call the appropriate area for support

Contact information

Who to call for support

For:	Contact:
Operational and RAM process questions and support	IRA Operations Phone: 1-800-775-7031, option 3, sub-option 2
Retirement product support	Retirement Products Consulting – IRA & Retirement Plan Consultants Phone: 1-877-558-4015

RPDO introduction

It is important that clients and prospects are well informed regarding the key information they should consider when contemplating their options regarding a distribution from a QRP. Even more important, you want to be sure that clients understand how the distribution option they choose might impact their retirement goals. Regulators are focusing on these conversations and transactions because they want investors to be knowledgeable regarding their options.

FINRA Notice 13-45

FINRA Notice 13-45 (Notice) outlines firm responsibilities when recommending a rollover or transfer of assets in a QRP to an IRA and marketing IRAs and associated services. The Notice specifically states that plan participants should be aware of the distribution options available, and that recommendations regarding moving QRP assets to an IRA rather than keeping assets in a previous employer's plan or rolling over to a new employer's plan should reflect consideration of various factors, such as available investment options, fees and expenses, services, tax implications, protection of assets from creditors and bankruptcy, when required minimum distributions (RMDs) begin, and treatment of employer stock.

This Notice highlights that firms must supervise these activities to reasonably ensure that conflicts of interest do not impair the judgment of a registered representative or another associated person about what is in the client's interest and that they neither confuse investors nor interfere with important educational efforts. Additionally, the Notice reminds firms that broker-dealers must establish written supervisory procedures and these procedures should be reasonably designed to ensure that (i) registered representatives perform appropriate client-specific suitability analyses, and (ii) marketing materials are fair and balanced.

DOL and SEC landscape

The regulatory landscape as it relates to RPDO continues to evolve. Regulators such as the DOL (Department of Labor) and SEC (U.S. Securities and Exchange Commission) continue to review and assess the rules and regulations regarding rollovers, new retirement accounts, and retirement account transfers. To comply with existing regulations and help facilitate conversations with clients as they relate to rollovers of QRP assets in particular, it is important for team members to understand the following:

The DOL's definition of non-discretionary fiduciary status includes recommendations regarding retirement account money movement. Which includes distributions, rollovers, and transfers among retirement plans. This means that Registered Associates are fiduciaries when making a recommendation to rollover QRP assets to an IRA. The DOL requires that Registered Associates adhere to their Impartial Conduct Standards. Meaning that, among other things, Registered Associates must use care, skill, prudence, and diligence to make recommendations that are in the client's best interest without regard for their own financial or other interests.

In order to satisfy these standards, Registered Associates must make recommendations to rollover QRP assets to an IRA only if it is in the client's best interest.

Remember: As a fiduciary under the DOL Rule, it is a prohibited transaction to give investment advice that results in additional compensation (like commissions) or other conflicts, unless covered by an exemption.

Understand the plan

A RPDO conversation requires an understanding of the features and expenses of the client's current QRP, and any available QRP with the potential of receiving assets from the current plan, as compared to the expense and benefits of a rollover into an IRA. A discussion with the client can help identify any plan-specific considerations such as outstanding loans or net unrealized appreciation (NUA) of company stock as well as when the client will need to access their retirement assets.

Understand key distribution rules

Any conversation regarding RPDO must be with the client's best interest in mind. It is important to understand key distribution rules. This includes but is not limited to knowledge of after-tax amounts in the QRP account, in-service distributions, and the Rule of 55. Additionally, it is important to understand the client's contribution types (e.g., before-tax, after-tax, or designated Roth account) to ensure the correct IRA type is selected in the event of a rollover to an IRA.

Understand the client's needs

The financial advisor (FA) should have an understanding of the client's overall financial needs, plans for retirement and any other relevant information related to the potential rollover. A few key client considerations include the need for individualized or holistic advice and how that compares to the advice they may be receiving in the QRP, access to a range of investment options, and/or consolidation of retirement assets.

Documenting the conversation

FAs should follow the Retirement Asset Movement (RAM) policy and process to capture and review key information about the client's current individual circumstances and priorities.

A **Qualified Retirement Plan to IRA Rollover Questionnaire** is used to help guide the FA's conversation with the client/prospect, as well as document the details of the conversation. Overall, the process addresses client needs and preferences, such as investment options, asset consolidation, and fees and costs, as well as providing retirement planning advice.

QRP features and considerations

Use the information below to facilitate your discussion with the client. It is important to remember that this conversation usually doesn't happen once but more likely is part of your ongoing discussions about your client's retirement objectives.

QRP distribution options

It is important to consider the various options available for the client/prospect's QRP assets. What the client chooses to do with their current retirement savings can have a substantial impact on their future.

Remember that generally there are four options available:

- Leaving the assets in the former employer's QRP, if allowed by the QRP
- Moving the assets directly to the current/new employer's QRP, if allowed by the QRP
- Rolling over the assets into an IRA
- Taking a lump-sum distribution directly from the QRP and paying any associated taxes

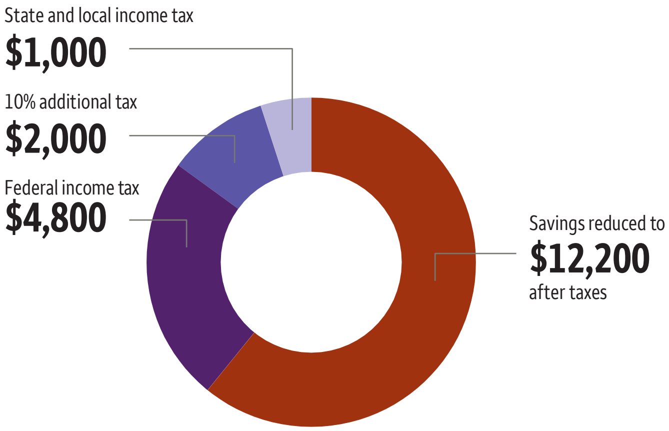
Each of these options has advantages and disadvantages, and each should be carefully reviewed when considering retirement asset movement. The information below will help guide your conversation so you and your client understand the potential consequences, including tax ramifications of rolling these assets to an IRA, or to another QRP, or taking a lump-sum distribution.

Lump-sum distribution option (taxes may apply)

Your client should carefully consider all of the financial consequences before cashing out their retirement plan savings. The impact will vary depending on their age and tax situation. If your client absolutely must access the money, they may want to consider withdrawing only what they need until they can find other sources of cash.

Taking a lump-sum distribution can be costly

Here's what's left of a $20,000 cash payout:



Please keep in mind:

- Funds lose their tax-advantaged growth potential.
- If your client leaves their company before the year they turn age 55 (or age 50 for public service employees and private sector firefighters), they may owe a 10% additional tax for early distributions in addition to any ordinary federal, state, and local income tax.
- The IRS requires your client's former employer to withhold 20% for taxes.
- Favorable tax treatment may be available for appreciated employer securities owned in the plan.
- Your client may be able to take a partial distribution.

For illustrative purposes only. Assumes a 24% federal tax bracket and 5% state and local tax rate. Taxes may vary. Depending on tax bracket, the taxes owed at the end of the year may be higher or lower. The 10% additional tax may be assessed if participant is under age 59½ and no exception applies. State tax may also apply.

Company stock and net unrealized appreciation (NUA)

If there is company stock/securities in the QRP, it is important for the client to understand the options available for this asset. There is a tax planning strategy, NUA, that may be available and beneficial for a plan participant taking a lump-sum distribution from the QRP.

a. NUA is defined as the difference between the value at distribution of the employer security in the plan and the stock's cost basis. If the security has increased in value, this is NUA.

b. NUA of employer securities received as part of a QRP eligible lump-sum distribution qualifies for capital gain tax.

Generally, ordinary income tax must be paid on the cost basis of the employer security in the year of distribution, and then the **appreciated value** is taxed as long-term capital gains when the stock is sold. Since the appreciated value is taxed as long-term capital gains instead of ordinary income, and long-term capital gains rates are generally lower than ordinary income tax rates, **it is important that the client is aware of this strategy before making a decision regarding a retirement plan distribution that includes company stock**.

> *NUA treatment is lost if the company stock is rolled to an IRA or another QRP.*

An eligible lump-sum distribution is the payment or payments, within a single tax year, of the entire balance from all the employer's QRPs of one kind (for example, pension, profit-sharing, or stock bonus plans). To take advantage of NUA, the client takes the company stock as part of a lump-sum distribution and rolls the remainder of the plan assets to an IRA or another QRP. The company stock is deposited into a non-IRA retail brokerage account where it could be held or sold. The decisions surrounding employer securities in a QRP are complex. Each individual situation should be analyzed in partnership with the client's qualified tax or legal advisor.

Read the compliance approved fact sheet Net Unrealized Appreciation (NUA) for more information.

Loans

Many employer retirement plans have loan options and allow eligible employees to borrow money from their QRP assets. When considering moving assets from an employer's retirement plan, it is important for the client to consider the following:

1. **Does the client currently have an outstanding loan in the existing employer's QRP?**

   If yes — Prior to completing a rollover to another QRP or IRA, the client will need to **determine whether or not to repay the loan before taking the distribution**. It is important that the client consult with the plan administrator to discuss the repayment options available as they may vary by plan.

   If the loan balance is **not** repaid prior to taking a distribution, the plan may offset the loan with the remaining balance in the participant's account. The client can avoid taxes by rolling over the loan offset amount to an IRA by their individual federal tax filing deadline, including extensions, for the year the offset occurred.

   If the client takes a distribution from the plan and **does not repay** the loan, the loan amount will be reported as a distribution from the plan and will be subject to ordinary income taxes and may be subject to the 10% additional tax.

2. **Does the client believe that they may want or need to utilize this type of loan feature in the future?**

   If yes — The client should consider leaving their retirement funds in the existing QRP or moving the funds to the new QRP if it offers a loan feature and will accept the outstanding loan. The client can refer to the plan's disclosures to get more information about what the plan offers or may be able to speak to the plan administrator to get more information.

There are advantages and disadvantages to tapping a QRP for a loan.

Some advantages:

- No credit checks
- Funds may be available quickly and can be used for a variety of reasons
- Interest rates may be lower — the interest is paid to the participant's account and not to a lender

Some disadvantages:

- The participant may not be able to make contributions, which may result in missing out on the employer match
- If the participant leaves the company and cannot repay the loan by their individual federal tax filing deadline, including extensions, for the year the offset occurred, the outstanding loan amount will be subject to ordinary income tax and an additional 10% early distribution tax if the participant leaves the employer before the year they turn age 55 or 50
- Loan repayments reduce net pay, which may impact the ability to pay prior debt obligations

Don't forget, loans from an IRA are prohibited.

After-tax contributions

QRP salary deferral option

Some clients may have after-tax balances in the QRP or have the ability to make after-tax contributions as their salary deferral option. These amounts were NOT made to a designated Roth account (see "Designated Roth Account Contributions" below). These contributions may be referred to as "non-designated Roth account contributions." It is important to understand the options for these after-tax contributions that the client may have as part of the employer's retirement plan balance. Clients can allocate the QRP before- and after-tax eligible distributions that are to be sent to more than one destination, such as a new employer's QRP, a Traditional IRA, a Roth IRA, and/or themselves.

1. **Roll after-tax contributions to a Roth IRA** — If taking a lump-sum distribution, the client may request that the after-tax funds be rolled directly to a Roth IRA as a tax-free conversion. The before-tax amounts can roll directly to a Traditional IRA without any tax liability. Another option is to have the distribution of the after-tax amounts payable to the client and within 60 days convert some or all of the amount to a Roth IRA. A conversion of these after-tax amounts will not be taxed. This strategy alleviates the blending of the before-tax and after-tax amounts in a Traditional IRA and negates the need for the pro-rata calculation

2. **Roll after-tax contributions to a Traditional IRA** — QRP after-tax contributions can be rolled over to a Traditional IRA along with any before-tax contributions and plan account earnings. It is important to understand when after-tax funds are rolled into a Traditional IRA the **Pro-Rata Rule** will apply for any distribution or conversion to a Roth IRA.

The Pro-Rata Rule

The Pro-Rata Rule is often referred to as the **cream-in-your-coffee rule**. Once the cream and coffee are combined you cannot separate them; in the same way, blending before-tax and after-tax funds in any Traditional, SEP, and/or SIMPLE IRAs cannot be separated (collectively referred to as Traditional IRAs). This is true even if the before-tax amounts are in a different Traditional IRA. Under the Pro-Rata Rule, the values of all Traditional IRAs are combined for purposes of determining the percentage of any distribution or conversion from the Traditional IRA(s) that will be taxed. In other words, you cannot simply distribute or convert only the after-tax or before-tax amounts.

If QRP after-tax contributions are rolled into a Traditional IRA, a separate accounting for these amounts on IRS form 8606 is required and used to track the basis in the Traditional IRA. This is the information that is used by the client and their tax advisor to determine what portion of the Traditional IRA distribution or conversion will be taxed.

Designated Roth account contributions

Certain QRPs may offer employees an opportunity to make after-tax salary deferrals to a designated Roth account along with the before-tax salary deferral option. The Roth option allows after-tax contributions, and any potential earnings to grow tax-free. There are a few distribution choices for this money and there may be tax implications depending on the option selected.

Much like Roth IRAs, distributions from designated Roth accounts could be qualified or non-qualified. Earnings are not taxed and there is no 10% additional tax with qualified distributions. Non-qualified distributions may be subject to tax and a 10% additional tax on distributions taken before age 55 or 59½ depending on when the participant separates from service.

Generally, the options are:

1. **Roll to new employer plan** — Rolling the designated Roth account to the new employer's QRP may be an option, if the new plan offers a Roth feature and accepts rollovers from another QRP. This may be done by a direct or indirect rollover.

   a. **Direct Rollover** — The distributing QRP must separately account for the after-tax contributions and earnings and report this to the receiving employer's QRP, **if** the distribution is not qualified. The 5-year holding period can continue in the new plan as long as the former plan administrator has provided that information to the new plan administrator.

   b. **Indirect Rollover** — Only the taxable amount (earnings) is allowed to be rolled to the new designated Roth account. The non-taxable amount (contributions) could be rolled to a Roth IRA. The taxable amount of the distribution will be subject to a mandatory 20% federal income tax withholding, which can be made up out-of-pocket if the client chooses to roll over the entire taxable amount to the new employer's plan. The 5-year holding period for qualified distributions from the new plan will begin the earlier of January 1 of the year the client rolls over or January 1 of the year they make a Roth contribution to the new plan. That is, the client cannot carry over the years they have accumulated in the former QRP.

A direct rollover is accomplished by the plan sending the retirement distribution directly to the IRA. This distribution is not subject to tax or mandatory withholding. An indirect rollover is when the plan assets are paid to the participant and the participant has 60 days to roll over the assets to the IRA. The taxable amount is subject to a mandatory 20% federal income tax withholding.

2. **Roll to Roth IRA** — Once rolled to a Roth IRA, Roth IRA rules apply. There will be no RMDs due and the Roth IRA ordering rules for *non-qualified distributions* will apply. The ordering rules are first — all Roth IRA contributions, second — all Roth IRA conversion amounts, and third — Roth IRA earnings. A rollover of a *qualified distribution* from a designated Roth account to a Roth IRA will be considered contributions for the Roth IRA ordering rules. When rolling over a nonqualified designated Roth account distribution, the designated Roth account contributions will be treated as Roth IRA contributions and the designated Roth account earnings will be treated as Roth IRA earnings. This may be done by a direct or indirect rollover.

    a. **Direct Rollover** — A direct rollover to a Roth IRA protects the retirement savings from potential income tax and IRS 10% additional tax and continues the tax-free growth potential until distributions are taken.

    b. **Indirect Rollover** — The taxable amount (the earnings) is considered to have been rolled first but contributions can also be rolled. *Note that being able to roll both earnings and contributions to a Roth IRA is different than when completing an indirect rollover into a new employer's QRP. In that situation, only the earnings are permitted to be rolled over to the new QRP.*

The Ordering Rules are different for Roth IRAs vs. designated Roth account distributions.

For more information go to IRA & Retirement Plan Distribution Options: Understanding your distribution options with your employer sponsored plan Roth account.

3. **Keep in former/existing employer's plan** — If the plan allows this option, the assets will retain the tax-free growth potential. The plan's rules regarding topics such as investment choices, distribution options, and loan repayment will remain intact. Beginning in 2024 RMDs are no longer required from designated Roth accounts.

4. **Lump-sum distribution** — This option may sound attractive at first, but clients should carefully consider all of the financial consequences before deciding to cash out their retirement savings. The entire distribution will be tax-free for qualified distributions. A non-qualified distribution will be taxed on a pro-rata basis as previously discussed.

The lump-sum distribution option could have detrimental impacts on the client's retirement savings.

Access to investment advice

Clients may or may not have access to investment advice for their employer's QRP. In some cases, employers may only offer general education and not specific or individualized advice on how the retirement assets might be invested based on the client's needs. It is important to determine what is available to the client and consider the client's need in this area as part of the rollover recommendation.

If advice is offered, it is important to understand the nature of the advice and if the advice is limited to strictly the assets within the plan vs. a broader more holistic advice on all their assets.

Self-Directed Brokerage Service options

Self-Directed Brokerage Service options are primarily broken down into two categories:

1. Offered on the QRP platform — This option integrates brokerage into the QRP platform and is restricted to a single custodian. The investment options may be limited depending on the custodian or restrictions identified by the employer.
2. Offered at a custodian of participant's choosing — This allows participants to have a brokerage account at a custodian of their choice. In this solution, it is not uncommon for the participant to have access to a full suite of investment choices.

Either way, it is critical to understand the investment options available, any limitations or restrictions within the brokerage window, and how the costs compare to the options available and costs within the Wells Fargo Advisors (WFA) IRA and the recommendation to rollover into an IRA should be supported based on the individual's unique needs.

Having a cost discussion

When discussing the costs associated with the prospect/client's QRP, a fee analysis must be conducted as this will allow you to have a more specific conversation around the costs associated with the QRP. The analysis takes into consideration the level fee disclosure documents (PLD) and QRP statements which the prospect/client will need to provide to you. Document and retain the cost comparison analysis after discussing it with the client.

Important fee and cost information

While fees and costs are a *critical consideration* regarding the decision to leave assets in a QRP or to move the assets into an IRA, they are not the only factor clients/prospects need to consider.

IRA fees and expenses are **generally higher** than those in a QRP and depend primarily on the investment choices. Remember, it is equally important to discuss the fees associated with the IRA based on the anticipated investments that align with their investment objectives and risk tolerance.

Be sure to review fees and costs and prepare a cost comparison prior to making a rollover recommendation. Discuss these differences with the client/prospect. Retain a copy of the cost comparison analysis.

Types of fees to consider

Brokerage commissions	May vary based on discounts, size of the trades, products selected, breakpoint eligibility, and expected turnover, etc.
Annual operational fees	Annual household fees, custodial fees, and minimum balance fees. Certain waivers are available if they qualify or fees are waived.
Exchange Traded Funds (ETFs)	Typically have internal expenses in addition to brokerage commissions.
Unit Investment Trust (UITs), annuities, mutual funds	Cost includes initial sales charges, ongoing expenses such as trails, management fees, etc.
Proposed annual advisory fee	The anticipated contract rate (e.g., 1.00%/1.25%).
Third-party manager fee	Any additional fee for separate money managers hired within the advisory program as indicated in the contract.
Employer paid fees	Consider if the employer pays some or all of the plan’s administrative expenses

Evaluating QRP distribution choices

Clients/prospects may be looking for ways to simplify the management of their retirement assets, particularly as they approach pre-retirement or retirement age by consolidating their retirement assets.

These reasons may include the following:

- Ease in managing their investment strategy
- Improve tax efficiency
- RMD simplification
- Effective beneficiary planning
- One monthly statement

It is very important to review with the client/prospect what needs they have relative to their retirement goals. These needs and preferences must then be discussed in conjunction with the RPDO features and considerations.

Note: You should be extremely cautious in recommending a rollover from a QRP to an IRA in the following situation:

- The client has assets in a Thrift Savings Plan (TSP)
- You should not recommend a rollover out of a TSP to an IRA
- You should restrict TSP rollover conversations to education only

Be sure to discuss and consider the following carefully with the client/prospect:

Typically available in IRAs:

Individualized, holistic advice	Willing to pay more to get advice and/or have retirement funds professionally managed.
Broader range of investment choices and products, including retirement income products	Generally, IRAs have more investment options, including retirement income products, than QRPs. Compare the options available in the QRP to the choices available within an IRA.
Exceptions to the IRS 10% additional tax for early distributions (10% additional tax) **Note:** Beginning in 2024: • Distributions up to $10,000 by victims of domestic abuse • Distributions for personal or family emergency expenses up to $1,000	Certain distributions from IRAs prior to age 59½ may be eligible for an exception to the IRS 10% additional tax. • Distribution due to IRA owner's: – Disability, as defined by IRC 72 (t) – Death • Distributions used for: – Qualified higher education expenses – Qualified first time homebuyer ($10,000 lifetime maximum) – Health insurance premiums if unemployed – Unreimbursed medical expenses – Substantially equal periodic payments (SEPPs) – Qualified reservist distribution – Conversion to a Roth IRA – Involuntary IRS levies – Qualified child birth or adoption expenses up to $5,000 – Qualified disaster distributions – Individuals who are terminally ill

Typically available in QRPs:

More extensive creditor protection is generally available for QRPs than for IRAs	The Employee Retirement Income Security Act of 1974 (ERISA) requires plans to contain stipulations which assert that benefits may not be assigned to a creditor. Additionally, ERISA preempts state laws that relate to any employee benefit plan, with certain exceptions. These two components continue to protect ERISA QRPs from certain other creditors such as state creditor claims outside of bankruptcy. If creditor and bankruptcy protection is a key concern — review the IRA bankruptcy and creditor protection Fact Sheet on InfoMax: in the Support Materials tab IRA & Retirement Plan Distribution Options. **Please note:** This may be a particularly important feature to individuals who are in professions with a higher risk of lawsuits; such as medical professionals.
Rule of 55	If the client leaves their employer in the year he/she turns age 55 or older (age 50 or older for certain public safety employees and private sector firefighters), distributions from the plan can be taken with no 10% additional tax. With an IRA, generally distributions prior to age 59½ incur the IRS 10% additional tax (unless an exception applies). **Caution:** If the client/prospect is nearing age 55 and is still working or is between age 55 and 59½ in the year they are separating from service it is important to discuss with them if they anticipate the need to access their QRP savings before reaching 59½ and the best choice for their specific situation.
Potential of deferring RMDs past age 73 if still working	RMDs begin from former employer's QRP by April 1 following the year the participant reaches age 73 and continue annually thereafter. RMDs must be taken from each QRP individually. Beginning in 2024 RMDs are no longer required from designated Roth accounts. RMDs may be deferred from current QRP beyond age 73 if the participant is still employed and not a 5% or more owner of the company and the QRP has elected this option for the plan.
Ability to take a loan and borrow funds from their QRP	Usually loans are available for active employees who are required to repay an outstanding loan within 5 years, unless used to purchase a principal residence. Keep in mind an employer may impose limits on loan minimums and how many outstanding loans are available. There are maximum loan amount rules, which are: 1) the greater of $10,000 or 50% of your vested account balance, or 2) $50,000, whichever is less.

Additional points to consider

Use this talking points guide to help facilitate your RPDO conversation with clients. Remember, what your client chooses to do with their QRP assets can have a substantial impact on their future.

Points to remember	RPDO features and items to keep in mind
Take a lump-sum and pay all applicable taxes	• Immediate access to money, and willing to pay applicable taxes • Rule of 55 (50 for certain public safety employees and private sector firefighters) • Lump-sum distribution of appreciated employer securities may qualify for favorable tax treatment of NUA • May owe 10% additional tax on early distributions • Former employer is required to withhold 20% for IRS • Lose tax-advantaged growth potential
Leave savings in former employer's QRP	• Assets retain their tax-advantaged growth potential • Fees and expenses are generally lower • Rule of 55 (50 for certain public safety employees and private sector firefighters) • Bankruptcy and creditor protection under the Employee Retirement Income Security Act (ERISA) • Employer securities (company stock) in your plan may have increased in value • Former employer may not allow assets to stay in the plan • Allowed to repay an outstanding loan within a short period of time • May owe 10% additional tax on early distributions • RMDs begin April 1 following the year client reaches 73, and annually thereafter • Beginning in 2024 RMDs are no longer required from designated Roth accounts • RMDs from QRPs at different employers can't be aggregated
Move savings to current/new employer's QRP	• Assets retain their tax advantaged growth potential • Fees and expenses are generally lower • Rule of 55 (50 for certain public safety employees and private sector firefighters) • RMDs may be deferred beyond age 73 • Generally, QRPs have bankruptcy and creditor protection under ERISA • Loans may be allowed • May have waiting period before enrolling • Investment options are chosen by the plan sponsor • Only transfer or roll over QRP assets that new employer permits • Favorable tax treatment of NUA lost if moved to another QRP • New employer determines when and how distributions are taken

Roll QRP savings to an IRA	• Assets retain their tax advantaged growth potential • Generally, avoids current income taxes • Access to more investment choices than are typically available in QRPs • Access to investment advice and guidance • Exceptions to the 10% additional tax for higher education and first-time homebuyer • Additional contributions are allowed, if eligible • IRAs and QRPs can be consolidated and conveniently maintained with one provider • IRA contributions and earnings are protected in federal bankruptcy proceedings to a maximum limit of $1,512,350 (periodically adjusted) • Rollovers from QRPs, SEP, and SIMPLE IRAs have no maximum limit for federal bankruptcy protection • IRA fees and expenses are generally higher than in a QRP and depend primarily on investment choices • Loans from an IRA are prohibited • Distributions before age 59½ may have a 10% additional tax • RMDs begin April 1 following the year owner turns age 73, and annually thereafter • Aggregated RMD amounts can be taken from any of owner’s Traditional, SEP, or SIMPLE IRAs • Roth IRA owners have no RMDs • IRAs are subject to state creditor laws • Favorable tax treatment of the NUA is lost if rolled into an IRA

Questions to ask

These question can help guide your conversation when discussing RPDOs

□ What age does the client plan to retire or need access to this money?

□ What type of investment guidance or advice is desired?

□ What investment options do they want?

□ Do they have a loan currently?

□ Do they have company stock in the QRP? Do they know if it's appreciated in value?

□ How old is the client? Would the Rule of 55 (or age 50) apply? Are they RMD age?

□ Do they have before and after-tax amounts in the QRP? These amounts were NOT made to a designated Roth account.

□ Do they have a designated Roth account?

□ Is there a Self-Directed Brokerage Service option?

□ Is it in the client's best interest to roll the plan assets into an IRA?

This document was created for informational/educational purposes only. It is important to inform clients and prospects that Wells Fargo Advisors is not a tax or legal advisor and that we recommend they consult with their current plan administrator, as well as, their tax and legal advisors before they make any decisions regarding their retirement assets.

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