Making the most of your retirement assets

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Your retirement plan assets can play a significant role in helping you pursue your goals.

We can help you better understand your choices for your assets in a former employer's retirement plan account, so you can decide which choice works best for you — based on your personal goals, financial needs and circumstances, and priorities. Once you decide, your Merrill advisor can help you understand how your choice can help you meet your retirement goals.

You have several choices to consider regarding the assets in a former employer's retirement plan account, which are:

- Withdraw the assets in a lump-sum distribution
- Leave the assets in your former employer's plan
- Move the assets to your new employer's retirement plan
- Roll over all or a portion of the assets to a traditional IRA
- Convert all or a portion of the assets to a Roth IRA

Or a combination of the above.

Keep in mind that everyone's situation is different. There are many factors to consider when evaluating and deciding which choice, or combination of choices, is appropriate for you. For an overview of the five choices, please see page 7.

As with all investment decisions, there are potential benefits and disadvantages for each choice, including those outlined in this brochure. It is important to note that if you take a lump-sum distribution, move your assets to a new employer's plan, roll your assets to a traditional IRA, or convert your assets to a Roth IRA, your decision is irreversible.[1]

Your Merrill advisor can work with you and your tax advisor to answer any questions you may have and help you understand how the choices align with your personal retirement goals, financial needs and circumstances, and priorities.

Withdraw the assets in a lump-sum distribution.

A lump-sum distribution, or withdrawal, gives you immediate access to your assets and flexibility in how you spend or reinvest them. However, there are also disadvantages.

You will have to pay taxes that can reduce your distribution. Your withdrawal will be subject to federal and state income tax and, potentially, a 10% additional tax for an early withdrawal if you are under age 59½, or under 55 and separated from service. Generally, your distribution will also be subject to mandatory 20% withholding, but you could owe more or less when you file your income tax return with the IRS. It's important to keep in mind that if you decide to take a lump-sum distribution, you cannot put the assets back into your former employer's plan and you may be losing the opportunity for potential tax-deferred growth.

Leave the assets in your former employer's plan.

If you're happy with the plan's investment choices and planning tools or you are undecided on your next steps, you may want to simply leave the assets in your former employer's plan. Your overall costs to keep the assets in the plan will likely be lower when compared to rolling the assets over to a brokerage account. If you are interested in this choice, you should contact your former employer regarding the retirement plan policies and details, including required minimum balances.

By making this choice, you preserve the opportunity for tax-deferred growth. However, keep in mind that you will not be permitted to make any new contributions or take loans against the account. You will have continued access to current plan investment choices for the assets already in the plan, but those choices will be limited to what is allowed in the plan. The Required Minimum Distribution (RMD) rule applies if assets are left in a former employer's plan.[2, 3]

Move the assets to your new employer's retirement plan.

You may want to consider rolling your assets to your new employer's plan if your new employer's plan investment choices are appealing, or have lower costs or fees.

By doing this, you can avoid paying the 10% early-withdrawal additional tax and preserve the potential for future tax-deferred growth on your assets. Additionally, you may not have to take a distribution if you are still working. If you own 5% or more of your employer, you cannot delay your annual RMDs past your required beginning date. (See exceptions regarding the age at which RMDs must begin).[2]

However, you should check with your new employer to confirm that rollovers are accepted and there are no restrictions on the rollover that could affect the timing of the transaction, the amount you can roll over and when you can access your assets. Also, check to ensure the plan's investment choices and retirement planning tools will help you meet your retirement goals, financial circumstances and needs, and priorities over the years.

Roll over all or a portion of the assets to a traditional IRA.

The fourth choice is rolling over all or a portion of your assets into a traditional IRA. A rollover allows you to continue to grow your retirement savings tax-deferred. There is no limit on the amount of assets you can roll over. There are special circumstances when you can use your IRA assets before you retire without paying an additional 10% tax — such as extraordinary medical or educational expenses.

You may have access to additional or different investment choices than you may have had with your former employer-sponsored plan, although your costs will likely be higher than if you keep your assets in your former employer's plan. Additionally with an IRA Rollover account, unless you choose a Merrill Edge Self-Directed account, you can choose to work with a Merrill advisor who can recommend an investment strategy based on your retirement goals, financial needs and circumstances, and priorities.[1] However, it's important to know that you cannot take a loan from an IRA. In addition, a Merrill advisor generally will receive compensation from your account that contains the rollover assets.

Changes several years ago simplified the consolidation of retirement assets by permitting rollovers from additional types |of retirement plans. In some cases, after-tax contributions now can be consolidated with pre-tax contributions. There are two types of rollovers — direct and indirect.

A direct rollover:

- Is when you request that a rollover check be made payable directly to the new custodian for the benefit of your IRA or employer-sponsored retirement plan.
- Is not subject to current income tax or an additional 10% tax that generally applies to premature distributions.

An indirect rollover:

- Is when you request that a rollover check be made payable to you, after which you deposit the assets into your IRA or another employer's retirement plan within 60 days.
- Requires by law that when such a distribution is made, the plan must withhold 20% of the taxable amount for the prepayment of federal income taxes.
- Allows you to roll over the entire distribution. This requires that you make up the 20% withholding out of your own funds, or you will be subject to income taxes and possibly early-withdrawal additional taxes on the shortfall.
- Must be completed within 60 days, or all or part of the assets distributed to you will be taxable and a 10% early-withdrawal additional tax may apply, depending on your age.
- You can only make one non-taxable indirect IRA rollover from one IRA to the same or a different IRA within a 12-month period, regardless of how many IRAs you have and regardless of the account types. There is no limit to the number of employer plan rollovers to IRAs based on this rule.

Convert all or a portion of the assets to a Roth IRA.

Roth IRAs are another choice to consider. They are similar to traditional IRAs in the types of investment choices they offer, but not in their tax treatment. Generally, in a traditional IRA, taxes on deductible contributions and earnings are deferred until distributed. By contrast, the contributions to a Roth IRA are made with after-tax dollars and are always distributed tax-free. Any earnings in a Roth IRA are federally tax-free, if taken as a qualified distribution, and may be state tax-free. With no requirements to take minimum distributions[2] throughout your lifetime, a Roth IRA allows you to pass your potential earnings to your beneficiaries income tax-free, if certain requirements are met.[4]

Distributions from a Roth IRA are not subject to federal income tax, provided you have satisfied a five-year holding period and at least one of the following applies:

- you are 59½ or older
- you are a qualified first-time home buyer (lifetime limit of $10,000)
- you are disabled, or
- the distribution is a payment after your death to your beneficiary or estate

An important consideration is the tax consequences of a conversion to a Roth IRA. If you decide to roll over or convert some — or all — of your retirement assets to a Roth IRA, you will need to pay income taxes on the amount of the conversion for that tax year based on your current tax bracket. To maximize the amount of converted assets deposited into your Roth IRA, the tax payments should come from a source outside the assets you are converting. You should consult your tax advisor to help you determine if a Roth IRA conversion may be appropriate for your situation.

A rollover or conversion can be a good way to take advantage of the potential benefits of a Roth IRA if your modified adjusted gross income (MAGI) is too high to otherwise qualify to contribute to a Roth account. And it can give you a hedge against rising tax rates — because you pay federal taxes now — rather than when you withdraw the assets later. Although, it is also possible that you will have a lower tax rate, particularly if you withdraw assets after retirement.

Cost considerations when evaluating choices.

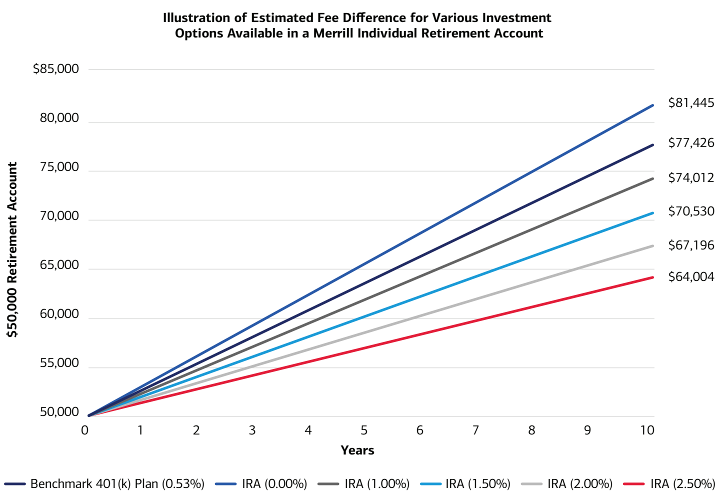
Cost is an important factor when you're deciding where to place your retirement plan assets. The fees associated with an employer-sponsored plan (Plan) are different from those for an Individual Retirement Arrangement (IRA).

- **Plan fees** include plan-level administrative costs and internal expenses for the investments held in a Plan account
- **IRA fees** incurred in a brokerage account may include commissions and sales charges and internal fund or management costs associated with certain investment products. If you enroll your IRA in an investment advisory program, you will incur an annual asset-based fee as well as manager fees and internal fund or management costs depending on the products in which you invest.

Comparing costs: Plan versus IRA.

This chart shows the long term impact of cost on investment performance where you pay higher fees in an IRA compared to paying the fees and costs charged by a Plan.

- For Plan costs, the chart shows the total of the average benchmark plan administrative fee and the average investment costs for a large-size Plan.*
- For Merrill IRAs, costs depend on your preference for independently managing your own investments versus utilizing professional asset management, your desire for financial advice and guidance, the types of investments in which you place your funds, and the complexity of your financial needs. The chart shows several hypothetical investment costs for a Merrill IRA ranging from 0.00% – 2.50%. These ranges are provided for illustration only and may not be what you pay for investing in an IRA.



* Benchmark data is supplied by Morningstar, Inc. and is intended to inform and assist advisors working with investors who are assessing a possible IRA rollover. Defined contribution (DC) plan fee benchmarks were created by aggregating plan investment expenses and expenses directly paid by plan participants. Benchmarks are estimates based on the total plan assets and total plan costs vary materially by plan and tend to decrease as plan size increases. Morningstar offers an analysis of data from approximately 28,000 DC plans, which is updated periodically.

Keep in mind.

The actual Plan fees you pay will be based on investment product line-up, the size of your Plan and the services available under your Plan.

The actual fees and investment costs you pay in an IRA will vary depending on whether your retirement account is self-managed brokerage, in one of our investment advisory programs or both. They will also vary based on the frequency of trading and the products you invest in.

While the differences in fees/expenses will vary based on the particular Plan and the types of services and products in an IRA, the potentially increased level of fees/expenses can be significant and can substantially impact your retirement savings.

For more information on Merrill fees and charges, go to merrilledge.com/relationships.

Deciding what is right for you.

There is no one answer as to which choice to choose for your retirement plan account assets. Your choice should be based on what works best for you in the context of your retirement goals, financial needs and circumstances, and priorities.

A Merrill advisor can:

- Discuss the broad range of investment choices and services available through an IRA at Merrill.
- In conjunction with your tax advisor, talk to you about ways to potentially take advantage of current tax rates and the possibility of generating tax-free income for you and your beneficiaries with a Roth IRA.
- Discuss beneficiary planning strategies if your legacy is important to you.

The information we are providing is educational in nature. We are not recommending a specific choice relating to your employer-sponsored plan assets.

Choices for your existing retirement plan assets.[5]

This chart summarizes the alternatives and considerations for what to do with employer plan assets.

Potential benefits	Potential disadvantages
Withdraw the assets in a lump-sum distribution.[3]	
• Assets available for current expenses. • Certain assets may be eligible for Net Unrealized Appreciation (NUA) tax treatment when distributed from an employer's plan; consult your tax advisor for details.	• Distribution subject to immediate 20% federal tax withholding, plus applicable state tax and possibly a 10% early-withdrawal additional tax if you are under age 59½ or under age 55 and separated from service. You may owe additional taxes when you file your income tax return with the IRS. • Lose the potential for tax-deferred growth.
Leave the assets in your former employer's plan.	
• Preserve tax-deferred compounding and growth potential. • Postpone payment of taxes. • Typically, no fee for investment transactions. • Broad protection from creditor claims under federal law. • Continued access to current investment choices. • Retain future distribution choices. • May have access to investment and planning tools. • If between 55 and 59½, may be able to take early withdrawals free of the 10% additional tax. • Generally lower costs than in an IRA. • Certain assets may be eligible for Net Unrealized Appreciation (NUA) tax treatment when distributed from an employer's plan; consult your tax advisor for details.	• May have limited investment choices. • No new contributions or loans permitted. • May not be a choice if plan account balance does not meet plan minimum threshold. • Plan rules on distributions and beneficiary distribution choices may be restrictive. • Access to investment and planning tools may be limited. • Required Minimum Distributions (RMDs) beginning at age 73.[2] Effective 2024, RMDs will no longer be required for designated Roth accounts for the life of the original account owner. • There may be fees for each distribution from an employer's plan.
Move the assets to your new employer's retirement plan.	
• Avoid immediate taxes and 10% early-withdrawal additional tax when making a direct rollover. • Preserve tax-deferred growth potential. • Continue to build assets for retirement. • Typically no fee for investment transactions. • Broad protection from creditor claims under federal law. • Loans may be available.[6] • May have access to investment and planning tools. • You may be able to defer your Required Minimum Distributions (RMDs) while you are still working.[2] Effective 2024, RMDs will no longer be required for designated Roth accounts within qualified plans for the life of the original account owner.	• May have limited investment choices. • Waiting period may apply before you can participate. • Plan may not accept rollovers.[6] • Under the terms of some plans, you may not have access to your assets again until retirement or separation from service or in an event of financial hardship.[6] • May not be able to roll over assets in-kind from prior employer plan.[6] • Access to investment and planning tools may be limited. • Plan rules on distributions and beneficiary designations may be restrictive.[6]
Roll over all or a portion of the assets to a traditional IRA.	
• No taxes or 10% early-withdrawal additional tax incurred in a direct rollover.[3,7] • Preserve tax-deferred growth potential. • Typically wider selection of investment choices than with employer plan. • Access funds at any time (subject to taxes, including potential additional 10% tax if under age 59½). • Generally more flexibility in naming non-spouse beneficiaries. • May have ability to roll over assets to a future employer's plan.[6] • May be eligible for in-kind transfer of assets from prior employer plan. • May have access to investment and planning tools. • Certain assets may be eligible for Net Unrealized Appreciation (NUA) tax treatment when distributed from an employer's plan; consult your tax advisor for details.	• Forgo certain special tax treatment for employer stock. • Eliminates opportunity for early withdrawals with no 10% additional tax if separated from service at age 55, but are not yet 59½. (Income taxes will be due.) • Loans from an IRA are not permitted. • Protection from creditors in bankruptcy only. • Fees are likely to be higher than plan fees and may be assessed based on account balance. • Required Minimum Distributions beginning at age 73.[2] • Additional fees should be considered when moving assets to an IRA. For example, transfer fees may apply.
Convert all or a portion of the assets to a Roth IRA.	
• Don't pay taxes upon withdrawal provided the distribution is "qualified" (i.e., have assets in a Roth IRA for at least five years and certain other requirements are met). • Typically wider selection of investment choices if converting to a Roth IRA. • Access funds at any time (subject to taxes, including potential additional 10% tax if under age 59½). • Generally more flexibility in naming non-spouse beneficiaries. • May be eligible for in-kind transfer of assets from prior employer plan. • May have access to investment and planning tools. • No Required Minimum Distributions (RMDs) before death. • Certain assets may be eligible for Net Unrealized Appreciation (NUA) tax treatment when distributed from an employer's plan; consult your tax advisor for details.	• Pay income tax on converted or rollover amounts comprising pre-tax contributions and tax-deferred earnings in the year of conversion. • Forgo certain special tax treatment for employer stock. • Eliminates opportunity for early withdrawals with no 10% additional tax if separated from service at age 55, but are not yet 59½. (Income taxes will be due.) • Loans from a Roth IRA are not permitted. • Cannot roll over assets to a future employer's plan. • Protection from creditors in bankruptcy only. • Fees are likely to be higher than plan fees and may be assessed based on account balance. • Additional fees should be considered when moving assets to a Roth IRA. For example, transfer fees may apply.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

You have choices for what to do with your 401(k) or other type of plan-sponsored accounts. Depending on your financial circumstances, needs and goals, you may choose to roll over to an IRA or convert to a Roth IRA, rollover a 401(k) from a prior employer to a 401(k) at your new employer, take a distribution, or leave the account where it is. Each choice may offer different investments and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment (particularly with respect to employer stock), and provide different protection from creditors and legal judgments. These are complex choices and should be considered with care.

[1] When we make recommendations regarding securities or investment strategies (including as to rollovers and account types) with respect to retirement assets, we are a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act (ERISA) and/or Section 4975 of the Internal Revenue Code, as applicable.

[2] The required beginning date is April 1 of the year after you turn age 73. You are required to take an RMD by December 31 each year after that. If you delay your first RMD until April 1 in the year after you turn 73, you will be required to take two RMDs in that year. You may be subject to additional taxes if RMDs are missed. Please see your tax advisor regarding your specific situation.

[3] If any portion of your employer plan account balance is eligible to be rolled over and you do not elect to make a direct rollover (a payment of the amount of your employer plan benefit directly to an IRA), the plan is required by law to withhold 20% of the taxable amount. This amount is sent to the Internal Revenue Service as federal income tax withholding. State tax withholding and a 10% early-withdrawal additional tax also may apply. If you timely complete an indirect rollover, you can work with your tax advisor to obtain a refund from the IRS when you file your tax return for the taxable year.

[4] Original Roth IRA owners are exempt from taking Required Minimum Distributions (RMDs). Beneficiaries are required to take RMDs from inherited IRAs. A spouse beneficiary may elect to treat an inherited Roth IRA as his or her own and would not have an RMD requirement during his or her lifetime. Beneficiaries may be required to take RMD from inherited Roth IRAs dependent on decedent date of death. Beneficiary distributions are complex. Consult your tax advisor for more information on your personal circumstances.

[5] Some rollover choices may not be available with respect to Roth employer plan assets.

[6] Contingent on specific plan rules.

[7] There are two types of rollovers — direct and indirect. See page 4 for more details.

This material does not take into account a client's particular investment objectives, financial situations or needs and is not intended as a recommendation, offer or solicitation for the purchase or sale of any security or investment strategy. Merrill offers a broad range of brokerage, investment advisory (including financial planning) and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with a Merrill advisor.

Merrill, its affiliates, and financial advisors do not provide legal, tax, or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

If you open an Individual Retirement Account (IRA) with us, depending on the services you choose, Merrill Lynch, Pierce, Fenner & Smith Incorporated will act in the capacity as investment advisor or a broker, and our role and obligations will vary as a result.

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