

WHAT TO CONSIDER WHEN THINKING ABOUT A ROLLOVERS FROM AN EMPLOYER SPONSORED RETIREMENT PLAN OR A TRANSFER/ ROLLOVER FROM ONE IRA PLAN TO ANOTHER IRA PLAN

Considering Your Distribution Options For a Rollover From An Employer Sponsored Retirement Plan

Often, when people change employers or retire, they move their money from employer-sponsored retirement plans (“ESRP”), such as 401(k) plans, 403(b) plans, defined benefit plans, and profit sharing plans, into their Individual Retirement Accounts (IRAs). However, you should be aware that this is an important decision and you should understand your options. If you are considering rolling over money from an employer-sponsored plan into an IRA, People’s Securities, Inc. and its affiliates would like to give you these tips to help you decide whether an IRA rollover is right for you. It’s also a good idea to consult with your retirement plan administrator, as well your tax professional about the tax implications of each option.

This summary is designed to help you, the retirement plan participant, understand and evaluate your distribution alternatives when you retire or otherwise become entitled to a distribution from your plan.

Generally, you have four choices when you are entitled to a distribution. Those are:

- Leave the money in the current retirement plan (unless the plan “forces” distributions of participant balances below certain levels).
- Transfer the account balance to the ESRP of a new employer. (This assumes that you are not retiring and will go to work for another employer who sponsors an ESRP and that new ESRP permits those transfers.)
- Roll the account balance into an individual retirement account or individual retirement annuity (IRA).
- Take a taxable distribution (which may reduce your retirement money due to income taxes and penalties charged on taxable distributions).

The first three options avoid the immediate taxation of the benefits; the fourth does not.

This decision should be based on your needs and circumstances. None of these alternatives is right for every participant in every situation.

It may not be an easy decision, because of the long-term financial consequences. However, these materials, when coupled with an adviser’s educational explanations, can help you make decisions about what’s best for your financial future.

The following are many of the considerations that would be important to a typical participant. You need to decide which are the most important to you and whether other factors should be considered as well.

Distribution Alternatives and Considerations

1. Keep your money in the current or prior employer’s plan.

As a general rule, you may leave your money in your plan and preserve its tax-deferred status (until it is ultimately distributed). However, some plans have mandatory distributions for accounts with small balances. Check with your plan administrator for details.

Advantages:

- The federal law governing the plan, the Employee Retirement Income Security Act (“ERISA”), requires that the plan fiduciaries prudently monitor the cost and quality of the investments options in the plan.
- Your ESRP may offer investment choices and other services that are less expensive than those available to you outside of the plan. The employer may pay some or all of the plan’s administrative expenses on your behalf. Check with your plan administrator for details.
- Employer-sponsored retirement plans may offer better creditor protection than rollover IRAs (but both are protected in bankruptcy).
- If you have a participant loan, you may be able to continue to make payments on the loan rather than having to take a taxable distribution of the loan amount. However, some plans require payment of the loan when you leave your job. Check with your plan administrator for details.
- If you stopped working for the employer between ages 55 and 59½, you may be able to take withdrawals from your ESRP without paying a 10% tax penalty (but ordinary income taxes would generally still apply).

Disadvantages:

- You don’t have control over the plan services available to you. Your former employer, as the plan fiduciary, will make those decisions.
- The ESRP may offer a limited number of investment choices (unless it permits you to use a self-directed brokerage account, check with the administrator).
- The ESRP may assess fees to your account for administrative or other reasons.

- You may not have access through your ESRP to personalized investment advice or advice that takes into account your other assets or particular needs.
- You need to know whether your ESRP permits periodic (for example, monthly) payments if you intend to use the money for retirement income. You should also ask if the plan charges for those distributions.

2. Roll over your money into an IRA.

Another option for preserving the tax-deferred status of your retirement money is to transfer your ESRP to a rollover IRA. It is important to find out about the range of investments and services available through a particular IRA and the fees for that IRA before choosing your rollover IRA.

Advantages:

- You have discretion over your money including deciding which financial institution, investments and services to use—and whether to make changes in the future.
- An advisor may be able to give you personalized advice about investing and retirement planning.
- A rollover IRA may also enable you to place all your investments with one advisor, who could coordinate your overall financial and investment planning.
- A rollover IRA may allow you to consolidate your other tax-deferred retirement accounts in one place. This may be helpful for your financial and retirement planning. It may also prove helpful in managing the required minimum distributions (RMDs) you have to start taking when you reach age 70½.
- IRAs are often more flexible than an ESRP regarding withdrawals and distributions, e.g., setting up regular periodic payments or an unscheduled withdrawal. Also, IRAs don't charge for periodic payments or special distributions (e.g., the medical needs or family events). If you select an individual retirement annuity, you can obtain a guarantee of lifetime income (subject to the claims paying ability of the insurance carrier).

Disadvantages:

- There is not a plan fiduciary who prudently monitors the investments, and their cost and quality, in your rollover IRA. Also, there will usually be more choices in an IRA and you have to select your own investments. However, if you have an advisor for your IRA, he or she can help you with the investment decisions.
- You may pay more in a rollover IRA for investments, services and advice than you pay through your ESRP (or a successor employer's plan). Compare those costs to plan's fees for

services, investments and administration before making any decision.

- IRA investment fees can be complex and more difficult for you to evaluate. There may be conflicts of interest where you could be encouraged to select investments that pay the providers more money, but which might not be right for you.
- Generally, rollover IRAs are protected in bankruptcy, but may not otherwise offer the same level of creditor protection as employer-sponsored retirement plans.
- You can't borrow from an IRA—you can only access the money in an IRA by taking a taxable distribution (which may also subject you to tax penalties if you are younger than 59½).
- When you reach 70½, you will have to take periodic taxable distributions from your IRA, but you wouldn't have to from an ESRP (unless you are a 5% or more owner of the business).

3. Transfer your money to a new employer's plan.

The third way to preserve the tax-deferred benefit of your ESRP is to transfer the money in your account to a new employer's plan. While most employer plans allow new employees to roll their accounts in, not all do, so it's important that you ask. (This option is not available if you are retiring and won't be working for a new employer.) You should also ask about the administrative and other fees assessed to participants' accounts in the new ESRP and compare them to your alternatives.

Advantages:

- You will be able to make contributions to your ESRP at your new employer when you become eligible to participate in that plan and, you can have all of your ESRP money in one place.
- The new ESRP could potentially offer lower cost investment options and services.
- If you have an existing plan loan, you may be able to roll it over to your new employer's plan through a "direct" rollover. Check with the plan administrators at both your former employer and your new employer.
- In some states, ESRPs offer better creditor protection than IRAs. (However, both rollover IRAs and ESRPs are protected under federal bankruptcy laws.)
- So long as you are working at the employer, you will not be required to take minimum distributions when you reach age 70½ (unless you are a 5% or more owner of the business).
- Many ESRPs have loan provisions. If you transfer your retirement funds to a new employer's plan that permits loans, you may be able to borrow from the money in the new plan.

Disadvantages:

- You won't have control over the expenses, services or investments in the new ESRP.
- The new ESRP might offer fewer or more expensive investment options than your former plan. Make sure that the option you choose has the right investments (at the right cost) for your needs.
- The new ESRP may not offer personalized advice on investments, retirement planning, or your other investments. Make sure that you understand what's available before you make a decision.

4. Withdraw your money from your account.

It's your money and you get to choose what's right for you. One decision you could make is to take a lump sum distribution. In most cases this will be taxable. You may not get the full amount because the plan is required to withhold up to 20 percent to ensure that taxes will be paid if a rollover is not completed.

Advantages:

- You can use the money as you wish, for example, to pay off existing debt, bills or other expenses.
- If you have employer stock that is substantially appreciated, there may be tax advantages in taking a distribution of those shares. Check with your tax advisor.
- If you have made after-tax contributions (other than Roth contributions), you will be able to take these amounts tax-free (though you will be required to pay tax on the earnings on those amounts. There are special rules for Roth contributions and, depending on the circumstances, a part of the payment may or may not be taxable if withdrawn from a plan.)

Disadvantages:

- You'll owe federal (and possibly state) income taxes on the money you withdraw. The government requires 20% withholding for federal income taxes, so the amount you receive will automatically be reduced. Also, the withdrawn money could put you in a higher tax bracket, and you may owe additional taxes. (However, if you deposit the funds in an IRA within 60 days you will avoid taxes on pretax contributions and earnings.)
- If you're under the age of 59½, you may also owe a 10% early distribution tax penalty, in addition to the income taxes.
- Once you spend the withdrawal, you will need to begin saving for retirement again, but with fewer years left to save. Without these savings, you may need to delay your retirement date or you may experience a lower standard of living in retirement.

Notes:

- This document discuss distribution considerations that would be material in common scenarios for hypothetical participants.
- The characteristics of your plan or investments (such as pre-tax contributions, existing participant loans or investments in employer stock) might require that additional matters be considered.
- You need to consider personal circumstances, for example, disability.
- This summary does not consider all plan characteristics, types of investments, or personal circumstances (and the list in these Notes is not comprehensive).
- You need to make sure to take into account your individual considerations, including any that may not be included in these materials.

Considerations for your transfer/rollover from one IRA plan to another IRA plan

You may be considering a transfer or rollover from your current IRA custodian to another custodian for a number of reasons. This disclosure is designed to help you understand and evaluate whether to keep your IRA plans at your current firm (your brokerage firm or other financial institution), or transfer or roll them over to a new firm. Generally speaking, the tax treatment of a particular IRA (i.e., traditional vs. Roth) will be the same regardless of what firm is used to hold the IRA plan.

Every firm that offers IRA accounts has an IRA trustee responsible for the safekeeping and tax reporting on those assets. There are two ways to move IRA assets from one custodian to another:

- You can transfer IRAs directly from one IRA trustee to another IRA trustee without limitation
- You can take a distribution from your IRA. However, there are limitations to consider if you take this route. Most importantly, you must deposit the funds into another IRA account within 60 days or your funds will no longer be considered an IRA investment. The process of an investor taking an IRA distribution and depositing it into another IRA is called an "indirect" or "60-day" rollover. Only one "indirect" rollover is permitted on a tax-free basis during any 12-month period. This limitation applies to you as an investor, not to each IRA account you own. Put another way, you are permitted only one "indirect" tax-free IRA rollover during any 12-month period regardless of the number of IRA accounts you have. Any violation of the "deposit within 60 days" or "one IRA rollover per year" rules may

result in immediate taxation of your IRA assets as income, so investors should consult with their tax advisors to avoid unintended consequences. It is generally advisable to directly transfer IRA assets from one custodian to another rather than take a distribution and risk non-compliance with the rollover rules.

IRA Transfers and Rollovers – Key Considerations. In all cases where an IRA investor considers transferring or rolling over an existing IRA to a different firm, there are important factors to be considered.

This IRA disclosure summarizes some of the most important factors. However, other factors and considerations may be important to you individually, and you may have different priorities or preferences. In all cases, you should consider your investment objectives, risk tolerance, financial circumstances, and needs.

#1 – Services. In all cases, the available services are key considerations. For example:

- How do the types and quality of services differ between the firms and advisers?
- Are the wealth planning, estate planning or other services needed by you available only at one of the firms or with only one of the advisers?
- Do you prefer to receive some services from one firm (or adviser) over the other?
- Do you prefer to work with a particular adviser who is familiar with your investment objectives, risk tolerance, financial circumstances, and needs, with whom you have a relationship of trust (for example, where you hold other investments or where the adviser has changed firms)?

You should compare the services offered by both firms, and should request any information needed to fully understand the available services.

#2 – Fees and Expenses. Over time, fees and expenses can have a significant impact on investment returns. As a result, it is important to understand how the fees and expenses of the two firms compare. For example:

- If the firms charge advisory or other fees for advice or asset management services you use (or intend to use), how do they compare?
- If the firms receive commissions, sales loads or similar compensation for executing transactions or selling products, based on the transactions and investments that you intend to make, which firm would be less expensive over time?
- How do other fees and expenses charged by the firms – such as account fees, custody fees, maintenance fees, etc. – compare?

- Fee and expense information from both firms should be reviewed and carefully considered before making a decision.

Fees and expenses are an important factor in all cases, but keep in mind that they are only one factor.

#3 – Investments. While many firms offer a wide range of investment options (including insurance products), there will be differences, which may be of varying importance to you. For example:

- Are you satisfied with the universe of options available at the current firm?
- Would the universe of options at one firm be more appropriate for your circumstances than the other? For example, would you benefit from guaranteed lifetime income through an annuity not offered at one of the firms?
- Do you currently hold investments or insurance products that the other firm would not permit, meaning that they would have to be sold to complete the transfer or rollover? Would you incur significant costs if your current investments were sold?

Unlike fees and expenses, the importance of the range of available investments and insurance products will depend on your needs and desires.

In all cases, the (1) services, (2) fees and expenses and (3) investments should be compared when deciding whether or not to transfer or roll over an IRA plan to another firm.

However, this is not an exhaustive list. For instance, you may wish to transfer or rollover IRA plans, and perhaps transfer personal investment accounts, to a particular firm in order to consolidate your accounts. This may make it easier for you to make your investment decisions, may be helpful for wealth and estate planning purposes, and may simplify the process of receiving “required minimum distributions” once you reach age 70½.

We hope you find this information helpful. No one choice is right for all investors. With these considerations in mind you can make an educated decision.

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Account Number

Acknowledgment:

If I decide to take a distribution from an employer-sponsored retirement plan (“ESRP”) and to roll over to an IRA it will be my decision and will not be influenced by any representatives of People’s Securities. People’s Securities does not recommend: (i) whether to take a distribution; (ii) the form of distribution; or (iii) whether to roll over the distribution to an IRA, but rather provided me with the educational information in this disclosure so I could make a decision.. I understand that I could possibly leave my money in the ESRP (if the plan permits); transfer it to the ESRP of successor employer (if I were to work for a new employer with a ESRP that permitted transfers); take a taxable distribution; and/or roll over to an IRA. I also understand that fees, investments, and services vary among those alternatives, and that the fees and expenses in a ESRP may be less than in an IRA.

If I decide to transfer my existing IRA, or to roll over an IRA distribution, it will be my decision. People’s Securities representative(s) provided information about the services, fees and expenses, and investments available to me, under an IRA plan, and I have had the opportunity to compare those factors against those of my current IRA institution. The People’s Securities representative(s) who assisted did not recommend to me that I (i) transfer my IRA; (ii) take a distribution from my IRA; or (iii) roll over a distribution from my IRA. I understand that I could leave my money in the IRA with my current IRA institution. I also understand that services, fees and expenses, and investments, may vary between IRA providers.

I HAVE RECEIVED ALL FIVE PAGES OF *WHAT TO CONSIDER WHEN THINKING ABOUT A ROLLOVERS FROM AN EMPLOYER SPONSORED RETIREMENT PLAN OR A TRANSFER/ROLLOVER FROM ONE IRA PLAN TO ANOTHER IRA PLAN* AND I AM IN AGREEMENT WITH THE ACKNOWLEDGMENT ABOVE.

Client Name (Print)

Client Signature

Date

PSI REGISTERED REPRESENTATIVE’S ADVICE ON QUALIFIED ASSETS ATTESTATION

My discussion with the prospect/client indicated that part of their financial strategy might involve the rollover of qualified funds to PSI. Therefore, I provided the relevant *WHAT TO CONSIDER WHEN THINKING ABOUT A ROLLOVERS FROM AN EMPLOYER SPONSORED RETIREMENT PLAN OR A TRANSFER/ROLLOVER FROM ONE IRA PLAN TO ANOTHER IRA PLAN* educational information disclosure to the prospect/client on _____ (insert date). This occurred before the prospect/client made their decision to initiate a rollover and/or make a distribution from their prior qualified plan. In order to ensure that the prospect/client made an informed decision, I responded to any questions the prospect/client raised after reviewing the educational information in the disclosure.

People’s Employee Signature

Date

People’s Employee Name (Print)

Phone #

Emp #/ RR#