Individual Retirement Account Rollover Options

Victory Capital Management Inc. ("VCM") understands that the decision to open an individual retirement account ("IRA") or move or "roll" your assets out of an existing retirement plan or account is important. The purpose of this brochure is to start and guide the conversation about your retirement savings. It provides general education about your options so you can make your own informed decision.

This brochure is not a comprehensive resource. It is not intended to provide, and should not be relied upon for, investment, accounting, legal, or tax advice.

Four Options for Your Employer-Sponsored Retirement Plan Savings

When leaving an employer, a retirement plan participant typically has four options for their retirement plan savings.

1. **Leave the money in your former employer's plan, if permitted.**

   If you keep your money in the plan, it will stay tax-deferred and you can remain invested in the plan's investment options. Your former employer is generally required to let you leave a balance of over $5,000. With this option, penalty-free withdrawals may be available to you if you leave your job during or after the year you turn 55, as long as certain conditions are met.

   Keep in mind: You can no longer make contributions to a former employer's retirement plan account, and you are subject to any plan restrictions or fees for maintaining a terminated employee account, which may be greater than the fee for participants who are still employed.

2. **Roll over the assets to a new employer's plan, if applicable and if permitted.**

   If you move to a new job, you may be able to roll your existing account into a new plan. Check with your plan administrator to see if your new plan accepts rollovers from other plans. If it does, then you should consider whether transferring your retirement savings to your new employer's plan is right for you. You must roll the money directly over into the new plan to avoid the 20% mandatory withholding and keep your money tax-deferred. You can roll over your entire distribution or a portion of it, although any money not rolled into the plan would be subject to the 20% withholding and potential additional income taxes and penalties. Be sure to review the plan features and provisions with your plan administrator.

   Keep in mind: In addition to preserving your money's tax-deferred status, rolling all of it into your new plan consolidates your funds into one account, making things easier to track.

3. **Roll over the assets to an IRA with Victory Capital or with another financial services firm.**

   If you roll your retirement savings into an IRA, you may have increased flexibility and control. A rollover IRA may open up a broader range of investment options and services than those available through most retirement plans, along with access to advice from a registered representative. With a rollover IRA, you can typically choose from a wide variety of mutual funds, and you may be able to purchase individual stocks, bonds, certificates of deposit and other securities. Rollover IRAs are also free of plan-related restrictions and offer certain estate planning benefits.

Keep in mind: You can choose between a traditional or Roth IRA for your rollover, depending on your specific needs and circumstances. For example, you can roll over a traditional 401(k) plan account into a traditional IRA tax-free, deferring taxes until you take a distribution. You can also roll over a Roth 401(k) into a Roth IRA tax-free. The primary difference between the two is how they are taxed.

4. **Cash out the retirement assets, subject to applicable taxes and penalties.**

   It is almost always a bad idea to cash out of a retirement plan account. You will have immediate use of whatever is left of your money (after taxes and penalties), but taking a cash distribution could set your retirement savings back years. Here's why: First, you will pay 20% in withholding as a prepayment of federal income taxes. If you have not reached age 59-½, you may also pay a 10% early distribution penalty. What's more, depending on your circumstances, you may still owe additional federal and state income taxes when you file your tax return.

   Keep in mind: Unless you are facing financial hardship, it is generally wise to keep your retirement money invested and tax deferred—by rolling it into an IRA, a new plan, or leaving it in your existing plan.

Summary of Important Considerations

Here are some key considerations to help you determine the option that works best for you.

Option	Pros	Cons
Remain in your former employer's plan	• Continue any tax-deferred growth • Avoid early withdrawal penalties • Have continued access to the plan's investment options and services • Protection from creditors under federal law • May have lower fees than other options • May be able to delay required minimum distributions, if still working • Likely offers low-cost share classes not available to the general public • Employers may pay for some or all plan administrative fees (e.g., recordkeeping, compliance, trustee fees), though some plans pass them on to participants or treat former employees different than active employees	• Only have access to the plan's investment options and services, which may be limited • May not have access to advice • Cannot make additional contributions • May have to pay administrative fees (e.g., recordkeeping, compliance, trustee fees), though some plans pay for these administrative expenses on participants' behalf • Might end up with retirement savings in multiple accounts with multiple providers • Distribution or withdrawal options may be limited. For example, some plans permit only one-time, lump sum distributions of your entire account balance, and do not permit participants to take periodic or partial withdrawals
Roll over to another employer's plan	• Continue any tax-deferred growth • Avoid early withdrawal penalties • May be able to consolidate your retirement assets in one account • May be able to borrow from the new plan • Protection from creditors under federal law • May have lower fees than other options • May be able to delay required minimum distributions, if still working • Likely offers low-cost share classes not available to the general public • Employers may pay for some or all plan administrative fees (e.g., recordkeeping, compliance, trustee fees), though some plans pass them on to participants	• Only have access to the plan's investment options and services, which may be limited • May not have access to advice • May have to pay administrative fees (e.g., recordkeeping, compliance, trustee fees), though some plans pay for these administrative expenses on participants' behalf • Distribution or withdrawal options may be limited. For example, some plans permit only one-time, lump sum distributions of your entire account balance, and do not permit participants to take periodic or partial withdrawals

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Option	Pros	Cons
Roll over to an IRA	• Continue any tax-deferred growth • Avoid early withdrawal penalties • Personalized investment products and services that may fit your specific needs • Typically offer a broader range of investment options • Access to advice from a registered representative • May be able to consolidate your personal and retirement assets with one provider • Continue to make contributions subject to IRS limits • More income and distribution options	• Annual fees and/or commissions may apply • Some investment expenses and account fees may be higher • Cannot take a loan from an IRA • IRA assets are generally protected in bankruptcy proceedings only (state laws vary) • Employer stock holdings may be subject to special tax considerations • May not have access to penalty-free withdrawals (exceptions apply) • Generally subject to required minimum distributions after you attain age 72, even if you keep working
Withdraw the money as a lump sum	• Immediate access to the assets • Special treatment for company stock if it is placed in a taxable account	• Taxes and penalties, which may be significant • No tax-deferred growth • No creditor protection

Additional Considerations

Simplifying your retirement savings

If simplifying your retirement savings is one of your primary objectives, combining all your retirement assets into one account, at one place, can be beneficial in a number of ways:

- Fewer websites, passwords, and PIN numbers to remember;
- Simpler to calculate and take your annual required minimum distribution;
- You will not be subjected to changes in your employer's retirement plan or policies; and
- If you consolidate into an IRA at the same firm, it may be easier to keep track of your retirement assets or build and view an overall investment portfolio.

Special considerations for defined benefit plans

The distribution options available in defined benefit (e.g., pension) plans are different than those commonly available in defined contribution (e.g., 401(k)) plans. Defined benefit plans offer payments in the form of a life annuity that is guaranteed for life.

Unlike defined contributions plans, which base the distribution amount on the amount contributed to the plan (plus earnings), a defined benefit plan calculates the amount of the payments based on a formula that takes into account certain factors such as the employee's years of service with the employer, compensation, and age at retirement. These payments are not eligible to be rolled over to an IRA or another employer's plan. Some defined benefit plans also allow individuals to take a lump sum amount. This lump sum may be eligible to be rolled over to an IRA or another eligible plan. While the impact of rolling a lump sum to an IRA or a new employer's defined contribution plan would be the same as outlined in the previous charts, leaving assets in the former employer's defined benefit plan and taking distributions from the plan have some unique characteristics that should be taken into consideration. In contrast to an IRA or 401(k) plan, your vested defined benefit plan benefit is guaranteed (subject to adequate funding by the plan sponsor), and you do not bear investment risk.

Special considerations for employer stock

Participants who own appreciated employer stock in a former employer's plan may want to consider an in-kind distribution, rather than rolling over to another plan or an IRA. Generally, with an in-kind distribution, a participant will pay ordinary income tax on the amount paid to acquire the stock but will not pay tax on the stock's appreciation (or increase in its value) until the stock is sold. The appreciation will be taxed at the capital gains rate, rather than as ordinary income. The special tax treatment of the appreciation may be lost if the stock is rolled over to another plan or IRA, where all distributions will be taxed as ordinary income. If you hold appreciated employer stock in your plan, it is a good idea to talk to your tax professional before deciding what to do.

Special considerations for IRA-to-IRA rollovers

Transferring your retirement assets from one IRA to another IRA should not affect the tax treatment of your retirement assets, as long as the IRA receiving the assets is administered by an approved IRA custodian and you transfer your funds into the same type of account (i.e., traditional IRA to traditional IRA, Roth IRA to Roth IRA).

Generally, an individual can avoid paying taxes on a distribution from an IRA by rolling over the distribution to another IRA within 60 days after receipt. The IRS, however, has limited the number of IRA rollovers a taxpayer may execute to only one in any one-year period. As a result, you may want to move your IRA funds by a trustee-to-trustee transfer (i.e., direct rollover), where the existing trustee sends your funds directly to the acquiring trustee, and you do not take possession of the funds. There is no limitation on the number of trustee-to-trustee transfers an individual may make in any one year.

You should find out what fees and expenses apply to any IRA product you are considering. As fees and expenses ultimately affect your account performance, you should carefully consider the fees and expenses you are incurring in your current IRA and what the fees and expenses will be in the IRA you are considering. Fees and expenses vary among different IRA products and providers.

Special considerations for Roth conversions

If you roll over your traditional plan or IRA (pre-tax assets) to a Roth IRA, it is called a Roth conversion. You will owe taxes on all or a portion of the assets converted. Distributions taken from the Roth IRA are generally tax free, as long as the account has been held for at least five years and you are over the age of 59-½. Roth IRAs are not subject to required minimum distributions. Please consult your tax advisor before making a Roth conversion.

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Rollover Mechanics

The previous sections discussed the general factors that individuals may want to consider when evaluating whether a rollover to an IRA or another eligible plan is appropriate for their retirement assets. In this next section, we will consider the mechanics of a rollover and introduce the players that are typically involved in a rollover.

Eligible plans and assets

Please note: An IRA may not be the only option for your rollover. The following chart, created by the IRS, lists the types of plans and accounts that can accept rollover transactions.

IRA ROLLOVER ELIGIBILITY

Roll From \ Roll To	Roth IRA	Traditional IRA	SIMPLE IRA	SEP-IRA	Governmental 457(b)	Qualified Plan[1] (pre-tax)	403(b) (pre-tax)	Designated Roth Account (401(k), 403(b) or 457(b))
Roth IRA	Yes[2]	No	No	No	No	No	No	No
Traditional IRA	Yes[3]	Yes[2]	Yes[2,7], after two years	Yes[2]	Yes[4]	Yes	Yes	No
SIMPLE IRA	Yes[3], after two years	Yes[2], after two years	Yes[2]	Yes[2], after two years	Yes[4], after two years	Yes, after two years	Yes, after two years	No
SEP-IRA	Yes[3]	Yes[2]	Yes[2,7], after two years	Yes[2]	Yes[4]	Yes	Yes	No
Governmental 457(b)	Yes[3]	Yes	Yes[7], after two years	Yes	Yes	Yes	Yes	Yes[3,5]
Qualified Plan[1] (pre-tax)	Yes[3]	Yes	Yes[7], after two years	Yes	Yes[4]	Yes	Yes	Yes[3,5]
403(b) (pre-tax)	Yes[3]	Yes	Yes[7], after two years	Yes	Yes[4]	Yes	Yes	Yes[3,5]
Designated Roth Account (401(k), 403(b) or 457(b))	Yes	No	No	No	No	No	No	Yes[6]

[1] Qualified plans include, for example, profit sharing, 401(k), money purchase, and defined benefit plans
[2] Only one rollover in any 12-month period
[3] Must include in income
[4] Must have separate accounts
[5] Must be an in-plan rollover
[6] Any non-taxable amounts distributed must be rolled over by direct trustee-to-trustee transfer
[7] Applies to rollover contributions after December 18, 2015
For more information regarding retirement plans and rollovers, visit Tax Information for Retirement Plans
https://www.irs.gov/retirement-plans

Direct vs. indirect rollovers

With a direct rollover (i.e., trustee-to-trustee transfer), you instruct your former employer to send your plan assets directly to your new employer's plan or to your IRA, and you never have to handle the money yourself.

Typically, with an indirect rollover, you start by requesting a lump sum distribution from your plan administrator and then take responsibility for delivering the funds to the new plan or an IRA. If not handled appropriately, indirect rollovers may have significant tax consequences. When you take a distribution from your plan, the plan is required to withhold 20% to ensure that the taxes will be paid if the rollover is not completed. To avoid incurring taxable income (and an early withdrawal penalty, if applicable) on the amount withheld, you have to use other funds to add that amount back to the amount you received from the plan, and deposit the entire amount into your new employer's plan or an IRA within 60 days.

Rolling plan assets into more than one IRA

It is not uncommon for retirement investors to divide assets between IRAs with different features and objectives. Administratively, retirement plans will often issue only a single check to an employee that is rolling assets out of the plan. So, if you intend to establish multiple IRAs, you will need to open one IRA to receive the funds and then transfer assets out of that IRA to fund your second IRA.

Ready to Roll Over? We Can Help.

Deciding what to do with your retirement savings is a major financial decision. A Victory Capital Wealth Specialist can review your current situation and help you understand your options. If you decide a rollover to an IRA is right for you, one of our team members can help you open and invest your IRA in a manner that meets your individual needs, preferences, and objectives. Contact our U.S.-based Wealth Specialists at 1-800-235-8396, Monday through Friday 7:30am to 7:00pm CT.

About Victory Capital Management Inc.

VCM does not provide recommendations to move or roll assets out of retirement plans or accounts.

You must: (1) evaluate the investment and non-investment considerations important to you in making a decision; (2) review and understand the fees and costs associated with the current and potential accounts; (3) recognize that higher net fees (if applicable) will reduce your investment returns and ultimate retirement assets; and (4) understand the conflicts of interest raised by the financial benefits to VCM, its affiliates and representatives resulting from your decision to move assets into an IRA.

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For more information, check out the following resources:

- FINRA / "Retirement" at: https://www.finra.org/investors/learn-to-invest/ types-investments/retirement
- FINRA/ "401(k) Rollovers" at: https://www.finra.org/investors/learn-to-invest/ types-investments/retirement/401k-investing/401krollovers
- FINRA / "RMD Calculator" at: https://tools.finra.org/rmd/

This guide is only a general overview and should not be construed as tax or legal advice. The applicable law concerning retirement plans is very complex, the penalties for non-compliance are severe, and the applicable tax laws of your state may differ from the federal laws. Therefore, you should consult your tax and legal advisors regarding the tax and legal consequences of your retirement plans.

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