How to make the most of your assets in a former employer's retirement plan

Leave the assets
in your former employer's plan.

Pros
- Access to familiar investment choices
- Likely lower costs
- Broad protection from creditor claims under federal law
- Preserve tax-deferred growth potential
- If between 55 and 59½, may be able to take early withdrawals free of the 10% additional tax

Cons
- Investment choices may be limited
- Plan rules on distributions and beneficiary distribution choices may be restrictive
- Can't make new contributions or take loans
- The Required Minimum Distribution (RMD) rule applies if assets are left in a former employer's plan[2,3]

Withdraw the assets
in a lump-sum distribution.[4,5]

Pros
- Immediate access to the assets
- Choose how you spend or reinvest the assets

Cons
- Taxes will reduce the amount you receive[6]
- Cannot put assets back into former employer's plan
- Less opportunity for potential tax-deferred future growth

1 Understand your choices.[1]

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

Pros
- Potential for future tax-deferred growth
- Can make new contributions to rollover IRA[7]
- Typically more investment choices and planning tools
- Access to investment advice

Cons
- Limited opportunity for early withdrawals without paying a 10% early-withdrawal additional tax (early tax is not due for amounts rolled over)
- Loans are not available
- Protection from creditors in bankruptcy only
- Additional fees should be considered when moving assets to an IRA (for example, transfer fees may apply)

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

Pros
- Access to potentially new investment choices
- Avoid immediate taxes and a potential 10% early-withdrawal additional tax
- Broad protection from creditor claims under federal law
- Preserve tax-deferred growth potential
- May not have to take RMDs if you are still working[2,3]
- May be able to take a loan[8]

Cons
- Some plans don't allow rollovers[8]
- There may be waiting periods or other restrictions[8]
- Investment choices may be limited

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

Pros
- Withdrawals of contributions are federal income tax-free (taxes are paid at time of contribution)
- Qualified withdrawals of any earnings[9]
- Able to pass potential earnings to heirs federal income tax-free[10]
- Original account owner doesn't have to take RMDs[10]
- Potential hedge against rising taxes

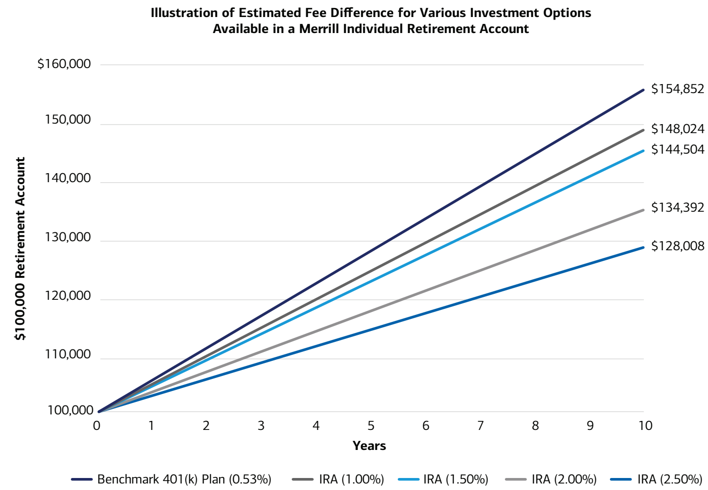
Cons
- Income taxes paid when you convert the assets
- Loans are not available
- Limited opportunity for early withdrawals
- Protection from creditors in bankruptcy only
- Additional fees should be considered when moving assets to an IRA (for example, transfer fees may apply)

2 Know the costs involved.

Cost is an important factor when evaluating your choices. The fees associated with an employer-sponsored plan are different from those for an IRA. This chart shows the long term impact of costs on investment performance where you pay higher fees in an IRA compared to paying the fees and costs charged by a Plan. *Note: Costs can vary, based on specific services and investments.*

While IRA costs can vary:

- If an IRA is enrolled in the Merrill Lynch Investment Advisory Program, costs will include: 1) the annual asset-based fee agreed to and negotiated with your Merrill Lynch Wealth Management Advisor, 2) any fees for specific products and 3) other costs not covered by the annual fee.
- The chart shows the long-term effect of these costs, using hypothetical fees ranging from 1.00% – 2.50%.



- Data results for the **Benchmark 401(k) Plan** show the total of the average benchmark plan administrative fee and the average investment costs for a large-size plan.*
- Data results for the **Merrill IRA** show hypothetical investment costs for a Merrill IRA, if you work with a Merrill Lynch Wealth Management Advisor. These include sales charges, commissions and fees, as well as costs for specific investment products.

Merrill fees are provided for illustration only. For more information on Merrill fees and charges, go to ml.com/relationships.

*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 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 defined contribution (DC) plans, which is updated periodically.

3 Decide which choice works for you.

Everyone's situation is different. There are many factors that you'll want to take into consideration when evaluating your choices and deciding which one, or combination of choices, is appropriate for you. Each choice may offer different investments and services, fees and expenses, withdrawal choices, required minimum distributions, tax treatment (particularly with respect to employer stock[5]) and protection from creditors and legal judgments. These are complex choices and should be considered with care.

Your Merrill Lynch Wealth Management Advisor can help you better understand the choices, so you can decide which works best for you — based on your personal goals, financial needs and circumstances and priorities.

4 Discuss your choice with your Merrill Lynch Wealth Management Advisor.

Your Merrill Lynch Wealth Management 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 and overall retirement plan.

As with all investment decisions, there are potential benefits and disadvantages for each choice, including those outlined in this educational overview. Also, keep in mind that in some situations, your choice is irreversible.

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

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

[1] You have choices about 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, roll over 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 reference to employer stock), and provide different protection from creditors and legal judgments. These are complex choices and should be considered with care.

[2] Effective 1/1/2023, 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] Effective 2024, RMDs will no longer be required for designated Roth accounts within qualified plans for the life of the original account owner.

[4] 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.

[5] Certain assets may be eligible for Net Unrealized Appreciation (NUA) tax treatment when distributed from an employer's plan. Please consult your tax advisor to discuss how this may impact you.

[6] 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.

[7] If eligible.

[8] Contingent on specific plan rules.

[9] 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: (i) you are 59½ or older; (ii) you are a qualified first-time home buyer (lifetime limit of $10,000); (iii) you are disabled; or (iv) the distribution is a payment after your death to your beneficiary or estate.

[10] Original Roth IRA account 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.

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