What you need to know about Retirement Rollovers

Wealth Management

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If you have assets in a retirement plan, you have several options available to you. These include leaving the assets where they are, rolling into a new retirement plan, rolling or transferring into a new IRA or taking a lump sum distribution. A rollover is a tax-free qualifying transfer of cash or other assets, directly or indirectly, from one retirement plan that you move to another retirement account. Your RBC financial advisor may provide you with education on the advantages and disadvantages on each of these options. Alternatively, your financial advisor may agree to provide you investment advice in connection with your decision regarding whether or not a rollover or transfer of your plan to an IRA held with RBC WM would be in your best interest. In order to make a recommendation, your financial advisor will ask you for important information about your current plan. Such information may include its investment options, fees and expenses, and certain provisions and features. If you are unable to provide your specific plan information we may use generalized industry information or benchmarked data when making a recommendation to you. If we recommend that you roll over or transfer your retirement plan, we do so as a fiduciary and we will provide a document to you outlining why doing so is in your best interest. If we do not provide you with such documentation, we are not acting as a fiduciary and we have not made any recommendation as to whether or not you should roll over or transfer your retirement plan or IRA. For more information, please speak to your financial advisor.

Notwithstanding whether a recommendation has been made, you understand and agree that with respect to any assets you decide to transfer/roll over from a qualified plan at another financial institution now or in the future, you must: (1) evaluate the investment and non-investment considerations important to you in making the decision; (2) review and understand the fees and costs associated with an RBC WM IRA; (3) recognize that higher net fees (if applicable) will substantially reduce your investment returns and ultimate retirement assets; and (4) understand the conflicts of interest raised by the financial benefits to RBC WM and its employees resulting from your decision to roll or transfer assets to an RBC WM IRA.

This document is being provided to you for informational purposes only and is not a recommendation or investment advice. The information outlined below is meant to be a guide. Not all options or considerations below will apply to you. The options available to you and considerations for making a rollover decision will vary and be dependent upon your specific circumstances. There may be additional factors for you to consider that are not listed below. Please consult with your financial advisor for more information. Neither RBC WM nor its affiliates provide legal, accounting or tax advice. All legal, accounting or tax decisions regarding your accounts and any transactions or investments entered into in relation to such accounts, should be made in consultation with your independent advisors. No information, including but not limited to written materials, provided by RBC WM should be construed as legal, accounting or tax advice.

DISTRIBUTION OPTIONS FROM A RETIREMENT PLAN

Deciding if and where to roll over the assets from a former employer's qualified retirement plan is a primary consideration when making a decision about your assets. Below are some advantages and disadvantages of each of the four general options. Please note that the below are general statements regarding the nature of tax-qualified retirement plans. However, the terms of a retirement plan can vary from one employer to another. Therefore, you should review your Plan's summary plan description in order to understand the terms of your particular plan. For certain situations (e.g. company stock in your 401(k)) consult your tax advisor.

1. Leave assets in former employer's retirement plan	
Continued tax-deferred or tax-free (Roth) growth	
Advantages	**Disadvantages**
• Your money may be able to stay in the plan with investment choices that are familiar to you • Avoid current taxes and a possible 10% penalty • If you leave your job (separation from service) between ages 55 and 59½, you generally can take penalty-free withdrawals from the plan • Generally, plan assets are protected from creditors • Fees and expenses may be lower because many plans have access to lower institutional pricing • Plan may offer brokerage window (i.e., plan participants may be able to invest in a range of funds, stocks, bonds, and other investments through a self-directed brokerage account available through the Plan) • Generally, no Required Minimum Distributions ("RMD") need to be taken until you retire, unless you are a >5% owner of the company • If you hold significantly appreciated employer stock in the Plan, you should consider the negative tax consequences of rolling the stock into an IRA. If employer stock is rolled in-kind to an IRA, stock appreciation will be taxed as ordinary income on distribution • May have access to planning tools, help lines, educational materials, and workshops • Plan may not offer professional investment advice or investment management	• You may not be able to make additional contributions to your plan • You may no longer have access to the loan feature • Plan may offer limited or less attractive investment options • Plan may offer less distribution flexibility for your beneficiaries

2. Roll distribution to your new employer's retirement plan	
Continued tax-deferred or tax-free (Roth) growth	
Advantages	**Disadvantages**
• Not considered a taxable event with a direct rollover and may avoid a 10% penalty • If you leave your job (separation from service) between ages 55 and 59½, you generally can take penalty-free withdrawals from the plan • Generally, plan assets are protected from creditors • Fees and expenses may be lower because many plans have access to lower institutional pricing • Helps consolidate your assets • New plan may offer brokerage window (i.e., plan participants may be able to invest in a range of funds, stocks, bonds, and other investments through a self-directed brokerage account available through the Plan) • May have access to planning tools, help lines, educational materials, and workshops • Generally, no RMDs need to be taken until you retire, unless you are a >5% owner of the company • If new plan does not allow Roth deferrals, current after-tax Roth assets cannot be rolled into the plan	• New plan may not accept rollovers • A waiting period may apply before rollover is allowed • New plan may offer limited or less attractive investment choices • New plan may restrict access to your assets • New plan may offer less distribution flexibility for your beneficiaries

3. Roll your distribution into an IRA	
Continued tax-deferred or tax-free (Roth) growth	
Advantages	**Disadvantages**
• Not considered a taxable event with a direct rollover and may avoid a 10% penalty • May have access to a wider variety of investment options • Ability to consolidate your assets to help simplify record keeping and retirement planning • Generally, IRA assets may be protected from creditors in the event of bankruptcy and may be protected from creditors in non-bankruptcy situations under state law • A Roth IRA is not subject to a required distribution period until a non-spouse beneficiary inherits the assets • Access to professional investment and planning guidance	• Mandatory tax withholding of 20% if you elect an indirect rollover, and may incur a 10% penalty if the rollover funds are deposited into the IRA after 60 days. • An IRA does not offer loans. Loans cannot be rolled over from a qualified plan and may need to be repaid or deemed distributed as a taxable event. • Fees and expenses may be higher in an IRA compared to a qualified plan because many plans have access to lower institutional pricing • Lose the benefit of being able to delay RMDs if you are still working at age 73. Your RMD age varies by year of birth. Please see chart below for more information. • Penalty-free withdrawals generally may not be made from an IRA until age 59½ (certain exceptions apply) • Generally, IRA assets have less protection from creditors than qualified plan assets

SECURE 2.0 Act phased-in timeline for RMD beginning ages	
Birth year	**Age at which RMDs begin**
1950 or earlier	72 (70 1/2 for those who turned 70 1/2 prior to 2020)
1951–1959	73
1960 or later	75

4. Remove all funds from plan	
Take a lump-sum distribution	
Advantages	**Disadvantages**
• May provide money for an immediate need • If you were born prior to 1/1/36, you may be eligible for 10-year forward income averaging • Distributions of company stock may be eligible for Net Unrealized Appreciation (balance of plan can be rolled to a new employer's plan or an IRA)	• You must pay ordinary income taxes on the distribution and potentially a penalty of 10% if you are under age 59½ or left your job (separation from service) prior to age 55 • Taxable distribution may put you in a higher tax bracket • If you choose to take one lump sum, you will only receive 80% of the balance, the other 20% goes directly to pay taxes owed • Lose tax-deferred growth on traditional pre-tax savings and Roth deferrals lose tax-free growth • If you spend your distribution, your retirement savings may be exhausted

RETIREMENT PLAN FEES AND EXPENSES

Retirement plans have administrative fees associated with operating the plan which may be paid by your employer or by the plan participants. These fees may include investment fees, recordkeeping for the plan, legal fees, accounting fees, plan communications and other miscellaneous expenses. If fees and expenses are charged to participants, these fees may be assessed through deductions to your accounts or through higher investment fees. Fees and expenses may be charged differently for employees separated from service. For example, some companies may pay the plan administration fees for active employees only but not pay expenses for employees separated from service.

Every retirement plan's fee structure is unique. To obtain information on the fees and expenses in your employer's retirement plan, review your retirement plan statements and contact your retirement plan administrator to request a 404(a)(5) Participant Fee Disclosure and the Summary Plan Description.

IRAs have administrative and investment fees as well and these may be more expensive than your current plan fees. For more information on our fees and expenses, see our "Brokerage Disclosure Document" and "Schedule of Fees" which are available on our public website at www.rbcwm.com/disclosures. For more information about our investment advisory services see our "RBC Wealth Management Advisory Programs Disclosure Document" (Form ADV, Part 2A brochure), which is available at www.rbcwm.com/disclosures.

