Stay or roll?

Understanding your retirement distribution options

If you're like many Americans, most of your retirement "nest egg" is in your employer's retirement plan. When your life circumstances change — you change jobs, move or retire — you're faced with what may be the most important financial decision of your life: what to do with the money you've accumulated in your employer's plan. You may have more options for what to do with that money than you realize — keep your money in the plan, roll it to a new employer's plan, take a distribution, or roll it to an IRA. To help you with your decision, we have identified several factors below for you to discuss with your RBC Wealth Management financial advisor, as well as your legal and tax advisors.

	Employer's plan	Individual Retirement Account (IRA)
Investment options	• Your employer selects a menu of investment options and is held accountable to following a prudent process in the selection of available investment options. • May be trustee-directed (i.e., your employer chooses your investments and allocations) or self-directed (i.e., you choose your investments and allocations). • Some employer plans may allow insurance products.	• A wide variety of investment options to select from, including options that may be unavailable in employer-sponsored plans. • Self-directed – you choose your investments and allocations. • Life insurance products are not permitted.
Services	• You may have access to planning tools, help lines, educational materials, and workshops. • Employer plans may offer a loan feature (typically only for active employees).	• You may have access to personalized investment and planning guidance. • Loans are not allowed in IRAs.
Fees and expenses	• Your investment expenses may be lower than in an IRA due to institutional pricing. • An employer may charge a fee to former employees who remain in the plan.	• Annual IRA custodial fees apply. • Investment fees may be higher than similar investments in a plan.
Tax consequences	• Generally, distributions are subject to a mandatory 20% federal[1] tax withholding unless you directly roll the assets to another tax-qualified account.	• Distributions are generally subject to a 10% federal[1] tax withholding. However, you may elect not to withhold.

	Employer's plan	Individual Retirement Account (IRA)
Penalty-free withdrawals	A 10% IRS early withdrawal penalty will apply unless you are: • At least age 59 ½ • Leaving the company in or after the calendar year in which you reach age 55 • Disabled • Taking substantially equal periodic payments • Paying certain medical expenses for yourself, your spouse, or your dependents in excess of 10% of your AGI • Subject to a Qualified Domestic Relations Order (QDRO) • Deceased • Other exceptions may apply	A 10% IRS early withdrawal penalty will apply unless you are: • At least age 59 ½ • Disabled • Taking substantially equal periodic payments • Making a first-time home purchase (up to $10,000) • Paying certain medical expenses for yourself, your spouse, or your dependents in excess of 10% of your AGI • Paying health insurance premiums while unemployed • Paying certain higher education expenses • Deceased • Other exceptions may apply
Creditor protection	• Generally, qualified plan[2] assets are protected from creditors.	• IRA assets are generally protected from bankruptcy only. • State law will determine creditor protection outside of bankruptcy.
Required Minimum Distributions (RMDs)	• Generally, you must begin taking RMDs from an employer plan by April 1 of the year following the year you attain age 70 ½ or by April 1 of the year after you retire (whichever is later).[3]	• Traditional IRAs: you must begin taking RMDs by April 1 of the year following the year you attain age 70 ½. • Roth IRAs: RMDs are not required until a non-spouse beneficiary inherits the assets.
Employer stock	• If employer securities are distributed in-kind, capital gains tax on the Net Unrealized Appreciation (NUA) is deferred until you sell the shares. • NUA is taxed at the long-term capital gains rate, which is currently lower than the income tax rate for most individuals.	• When you roll over employer stock into an IRA, you are no longer eligible for NUA tax treatment.
Beneficiary planning	• Some plans may limit your ability to name multiple or contingent beneficiaries. • A spouse beneficiary can roll over plan assets to his or her own IRA, inherited IRA, or employer's plan.[4] • A non-spouse beneficiary can roll over inherited plan assets to an inherited/ beneficiary IRA and can stretch out distributions throughout his or her lifetime.	• IRAs offer flexible beneficiary options, including multiple and contingent beneficiary designations. • A spouse beneficiary can roll over plan assets to his or her own IRA, inherited IRA, or employer's plan.[4] • A non-spouse beneficiary can roll over inherited plan assets to an inherited/ beneficiary IRA and can stretch out distributions throughout his or her lifetime.

To learn more about your options, contact your RBC Wealth Management financial advisor.

1 State tax withholding may apply; consult your tax advisor.

2 Plans covered under Title I of ERISA (e.g., 401(k), pension, and profit-sharing plans).

3 There may be exceptions depending on plan provisions or if you own 5% or more of the company.

4 If rolled to an IRA by a spouse beneficiary, the death distribution waiver no longer applies, and withdrawal from the IRA may be subject to the early withdrawal penalty.

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