

Managing your career transition

Choices for your retirement assets

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Prepare for the changes ahead

Making an informed decision

How to use this guide

This guide is designed to help you make an informed decision about your retirement assets. It provides information about your options and the potential tax impact they may have. That way, you can evaluate each choice with your tax advisor and decide which distribution choice makes the most sense for your long-term financial goals. As you make your transition, we can help you review your alternatives and help you as you seek to keep your goals for retirement on track.

Navigating a career transition, whether voluntary or involuntary, can feel challenging. There may be loose ends to tie, forms to complete and decisions to make. If you've been investing through your employer's retirement plan, you may have questions about what to do with the assets you've accumulated. Or perhaps your employer's plan is terminating or merging with another plan. Whatever situation you may find yourself in, the decisions you make today may have a lasting impact, so it's important to make the right ones for your individual situation.



We're here to help

Participant Services

877.637.1786

Contact us with questions about, or for help with, evaluating your plan's distribution choices.

Note: The distribution choices presented here are those typically available with an employer-sponsored retirement plan; however, you should contact your employer to understand the choices available through your employer's plan.

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Learn more about your choices

Decisions you make today may have a lasting impact on your financial future.

You have choices for your retirement plan distribution

When it comes to the distribution choices from your employer's retirement plan—401(k), profit sharing, employee stock plans (such as a stock bonus plan or ESOP) or other qualified plan—you usually have choices. Generally, these include:

- Rolling your assets over to a traditional or Roth IRA (including converting to a Roth IRA)*
- Rolling your assets over to your new employer's plan
- Leaving your assets in your current employer's plan
- Taking your assets in a partial withdrawal or lump-sum distribution
- A combination of the above

On the following pages, we'll briefly summarize each choice. The chart on page 4 provides a side-by-side overview of the possible advantages and disadvantages of each distribution choice.

A word about direct versus indirect rollovers

Direct rollovers occur when your rolled-over assets are made payable directly to the new custodian of your employer-sponsored retirement plan account or traditional IRA and are not subject to current taxes.

Indirect rollovers are paid directly to you, with the understanding that you must deposit the check into your new employer-sponsored retirement plan account or IRA within 60 days. A 20% federal income tax is withheld, and if you fail to complete the rollover within 60 days, you will potentially be subject to additional taxes. Generally, it's easier to complete your rollover directly if your new employer's plan permits or if you are rolling over to an IRA. Keep in mind you have to roll over the entire amount distributed to avoid additional taxes.

Transition checklist:

- ___ Your employer's contact information
- ___ A copy of your retirement plan documents and contact information for the provider
- ___ Important financial documents (e.g., beneficiary designation form)
- ___ Health care and other insurance coverage status
- ___ Your company's unused vacation time and sick pay policy

* You may only process one 60-day rollover between any and all of your IRAs in any rolling 12-month period, regardless of the number of IRAs you own (IRS Announcement 2014-15).

Consider your possibilities

Carefully weigh your distribution choices before making a decision.

You have choices for what to do with your 401(k) account or other type of employer-sponsored retirement plan 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) account from a prior employer to a 401(k) account 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, and 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 and in consultation with your legal and/or tax advisors. Let's take a closer look at these choices.

Leave your assets where they are

If you have more than \$7,000 invested in your plan, you may be able to leave your assets where they are. This is the simplest choice, because you don't have to do anything, there are no immediate tax consequences, and assets held in a 401(k) plan enjoy federal protection from creditors. However, you generally can't contribute anything new or take a loan, and investment and distribution choices may be limited.

Take a partial withdrawal or lump-sum distribution

It can be tempting to cash out your retirement account when you change jobs, and if your balance is \$7,000 or less, your employer's plan might automatically close the account. It's important to take into account the tax implications of this choice, as well as the fact that you are diverting money away from your retirement account. It's best to consider all the other choices first and make sure you understand the tax ramifications.

Roll over to a traditional or Roth IRA (including converting to a Roth IRA)

One way to continue the tax-deferred growth potential of your assets is to roll them over into a traditional IRA. Traditional IRAs, like a 401(k) plan, can provide the potential for pre-tax growth (you don't pay taxes until you start taking your distributions in retirement, which you must start to do by

your "required beginning date"*) and usually offer the freedom of a greater range of mutual funds, stocks, bonds and other securities to invest in.

A Roth IRA conversion takes some or all of the money you have invested in a traditional IRA or 401(k) plan and converts it to a Roth IRA. A Roth IRA is funded using after-tax dollars, so you are required to pay full federal and state income tax at the time that you convert your assets or make contributions to the IRA. However, you will not be subject to federal income tax when you take your qualified distributions in retirement. Discuss these tax implications with your tax advisor. In addition, unlike a traditional IRA, a Roth IRA does not require you to take minimum distributions during your lifetime, so if you choose, your earnings can accumulate tax-free in your Roth IRA and then be passed to your designated beneficiary federal income tax-free.

Roll assets into your new employer's plan

Many employers will allow you to roll over your previous 401(k) plan assets directly into your new employer's plan. This allows you to maintain the tax-deferred status of your assets, avoid current income taxes, and potentially avoid the 10% additional federal tax on early withdrawals. You may also be able to borrow against your vested account balance, depending upon the plan rules. However, your investment choices, withdrawals and distributions will be subject to the new plan rules.

* A Required Minimum Distribution (RMD) is the minimum amount the account holder of a traditional IRA or employer-sponsored retirement plan must withdraw annually upon reaching his or her "required beginning date". The required beginning date for RMDs 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. You may be able to delay taking RMDs from your employer-sponsored retirement plan account if you are still working for the company that sponsors the plan when you reach your required beginning date and own 5% or less of the company, in which case your first RMD would not be due until April 1 of the year following the year in which you separate from service. Please consult your tax advisor regarding your specific situation. Effective January 1, 2024, the SECURE 2.0 Act has eliminated RMDs for designated Roth accounts during the lifetime of the owner.

Review your investment strategy

As you move to the next phase of your career, be sure you're making the most of your retirement assets.

Be sure to optimize your investments

Because the investment strategy you choose can help influence your ability to reach your financial goals, stay ahead of inflation, and help your income last through retirement, it's important to take the following into account:

- **Diversify your assets.** Stocks, bonds and cash equivalents have unique advantages, and a good strategy includes all three. Also, by diversifying, you're better protected against losses from a single asset or class.
- **Don't chase performance.** Past performance is no guarantee of future results. You may be better off maintaining an asset allocation strategy that's appropriate for your personal financial situation, liquidity needs, time horizon and tolerance for investment risk. Remember, all investments carry some degree of financial risk.
- **Occasionally rebalance to stay on target.** Review and rebalance your investments to keep your portfolio on track. Whenever you experience a major life change—for example, a new job, marriage, birth of a child or retirement—reassess your investments to ensure they're still in line with your goals and risk tolerance.

The most important thing to consider when reviewing your investment choices is what's best for you—your individual financial situation, liquidity needs, time horizon and risk tolerance, as well as what your vision for living in retirement might be. Pay special attention to the potential tax impact, advantages and disadvantages. You may be surprised at how your choices may result in potential continued tax advantages or could reduce the assets you've accumulated.

Please note that asset allocation, diversification and rebalancing cannot ensure a profit or protect against loss.

Evaluate your stock options or grants

If you have outstanding stock options or other equity awards (such as restricted stock or performance awards), you should estimate their total value upon exercise or vesting and consider how changing jobs or retiring may affect their status. For example, many stock option plans call for vested options to expire if they are not exercised within 30 to 90 days after you leave your employer, regardless of whether or not you leave voluntarily. Your restricted stock or performance awards may also be forfeited if you leave your employer. Contact your Human Resources or Benefits department or review your plan documents for more information.

Net Unrealized Appreciation (NUA) strategy

If you own company stock in an employer-sponsored retirement plan, you may be able to reduce your tax burden by taking a distribution of your employer stock in shares as part of a lump-sum distribution. This strategy is most appropriate for participants in the highest tax brackets with a significant amount of company stock.



Understand your choices¹

This chart provides an overview of your distribution choices.

	Pros	Cons
Leave the assets in your former employer's plan.	<ul style="list-style-type: none"> • 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 federal tax 	<ul style="list-style-type: none"> • Investment choices may be limited • Plan rules on distributions and beneficiary distribution options may be restrictive • Can't make new contributions or take loans • The Required Minimum Distribution (RMD) rule applies if non-Roth assets are left in a former employer's plan²
Withdraw the assets in a lump-sum distribution.^{3,4}	<ul style="list-style-type: none"> • Immediate access to the assets • Choose how you spend or re-invest the assets 	<ul style="list-style-type: none"> • Taxes will reduce the amount you receive⁵ • Cannot put assets back into former employer's plan • Less opportunity for potential tax-deferred future growth
Roll over all or a portion of the assets to a traditional IRA.	<ul style="list-style-type: none"> • Potential for future tax-deferred growth • Can make new contributions to rollover IRA⁶ • Typically more investment choices and planning tools • Access to investment advice 	<ul style="list-style-type: none"> • Limited opportunity for early withdrawals without paying a 10% early withdrawal additional federal tax (early withdrawal 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.	<ul style="list-style-type: none"> • Access to potentially new investment choices • Avoid immediate taxes and a potential 10% early-withdrawal additional federal tax • Broad protection from creditor claims under federal law • Preserve tax-deferred growth potential • May not have to take Required Minimum Distributions if you are still working and own 5% or less of the employer's stock² • May be able to take a loan⁷ 	<ul style="list-style-type: none"> • Some plans don't allow rollovers⁷ • There may be waiting periods or other restrictions • Investment choices may be limited
Convert all or a portion of the assets to a Roth IRA.	<ul style="list-style-type: none"> • Withdrawals of contributions are federal income tax-free (taxes are paid at time of contribution) • Qualified withdrawals of any earnings⁸ • Able to pass potential earnings to heirs federal income tax-free⁹ • Original account owner doesn't have to take Required Minimum Distributions (RMDs)⁹ • Potential hedge against rising taxes 	<ul style="list-style-type: none"> • Federal income taxes will be due by the tax filing deadline for the year of conversion and will not be withheld by the employer or from the plan. • 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)

Note: The distribution choices presented here are those typically available with an employer-sponsored retirement plan. Check with your retirement plan administrator to find out about your plan's actual distribution choices.



Have questions?

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877.637.1786

Contact us for help making sense of your choices.



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

¹ Some rollover choices may not be available with respect to Roth employer plan assets.

² A Required Minimum Distribution (RMD) is the minimum amount of non-Roth assets the account holder of a traditional IRA or employer-sponsored retirement plan must withdraw annually upon reaching his or her "required beginning date". The required beginning date for RMDs 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. Failure to take all or part of a RMD results in a 25% additional tax (or 10%, depending on how quickly you take the missed distributions) applicable to the amount of the RMD not withdrawn. Please consult your tax advisor regarding your specific situation.

³ 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.

⁴ 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.

⁵ 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.

⁶ If eligible.

⁷ Contingent on specific plan rules.

⁸ 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.

⁹ 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. An additional five-year holding period applies to the assets converted in a Roth IRA conversion under the "special recapture rule". Under this rule, a 10% additional federal tax may apply if the conversion occurred before you have reached age 59½ and you take a distribution of the converted assets before five years have passed since the first day of the year in which the conversion occurred.

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