Considerations when Rolling your Former Firm's Retirement Plan over to a Self-Directed Rollover IRA

- There are many factors that one should consider prior to making any kind of IRA or 401K rollover. A rollover is not right for everyone and our job is to help you understand the pros and cons associated with this decision.

- You may have a larger selection of investments from which to choose as compared to the firm sponsored 401K plan.

- * By rolling your current retirement plan into a rollover IRA, you can include investments which may not be offered by your new firm's plan. You can create additional diversity of your investment portfolio which may be an advantage because in the future your new contributions to your new firm's plan will be going into their set group of choices. The additional diversity may only be possible if you roll your former firm sponsored retirement plan to your rollover IRA. With IRA rollovers you can also include alternative investments such as Real Estate Investment Trusts and private equity investments which are not directly tied to the Stock or Bond markets.* As a result, a rollover IRA can keep you from having too much of your portfolio in one type or group of investments.

- In many cases you can roll your rollover IRA into your firm's plan later. However, if you do so you cannot remove your funds from the new firm's plan before age 59 ½ while you are still employed by the firm if you decide you do not like their choices. (Remember, the choices that your new firm's plan has currently could be changed in the future to funds that you might not like.)

- With both 401K plans and/or IRA's, you will want to have an Investment Professional that can help you develop a portfolio that may better suit your needs and who will monitor the investments.

- There are many extra services that my firm will provide:

    - Investment Portfolio Design (asset allocation for you individually)
    - Investment Portfolio Monitoring (monitoring the investment to make sure that the investments stay within your parameters)
    - Investment Selection (implementing the trades into the investments that you and I pick)

- Investment Coordinating – We will take into account your entire investment portfolio both for your Retirement Plan Assets and Non-Retirement Plan Assets to make sure that there is not too much overlap.

- Financial Counseling – We can help you determine how much you need to be investing on an annual basis in order to be able to retire comfortably and we can help you design the appropriate investment mix that seeks to help you accomplish your goals.

**Diversity - Diversification does not guarantee a profit or protect against a loss*

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Other IRA Rollover Factors to Consider

- **Penalty free withdrawals:** If an employee leaves their job between the ages of 55 and 59 ½ they may be able to take penalty free withdrawals from a plan. It may also be easier to borrow from a 401K plan if the plan is with your current employer. Borrowing from the plan is not available if the assets are still with your previous employer.

- In contrast penalty free withdrawals may not be made from an IRA until age 59 ½. However, with an IRA you can do Section 72T withdrawals, which are a series of systematic equal installments based on your age and the governmental interest rates, without a penalty.

- **Protection from Creditors and legal judgements:** Generally speaking, 401K plan assets have unlimited protection from Creditors under federal law while IRA assets are protected in bankruptcy proceedings only. State laws vary in the protection of IRA assets in lawsuits, however, under current law in the state of Texas IRA's are protected from the claims of Creditors.

- **RMD:** Once an Individual reaches 70 ½ the rules for both 401K plans and IRA's require the periodic withdrawal of certain minimum amounts known as Required Minimum Distribution. If a person is still working at 70 ½ , however, they generally are not required to make RMD's from their is current 401K plan.

- **Fees and Expenses:** Both 401K plans and IRA's typically include investment related expenses and plan fees. Investment related expenses may include sales loads, commissions, the expenses of any investments in which assets are invested and investment advisory fees. Even though most 401K plans may not offer investment management or advice specifically tailored to you and your needs, 401K fees typically include plan admin fees and fees for services such as access to a customer service rep. In some cases employers pay for some or all the admin expenses. An IRA account fee may also include admin, account set-up, and custodial fees, and due to the additional services provided by your Advisor may have higher expenses than a typical non actively managed and non-professionally advised 401K Plan. Investors should carefully examine the fees associated with both their 401K and IRA accounts and their impact of the investment performance.

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