

Annuity

Your guide to rollovers

Issued by North American Company for Life and Health Insurance®



Are you trusting your retirement savings to your former employer?

“Rollover” is one of those terms that gets used enough in the retirement world that most people of working age have heard it. You probably have an idea how they work. You may have even completed one or two in your life.

This guide to rollovers is intended to:

- **Cover the basics** for the uninitiated and give a refresher for everyone else
- **Walk through the considerations** you'll want to make before deciding if a rollover to a North American annuity might be a good fit for you
- **Provide an overview** of the simple, three-step process you can use to start moving your money today

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What's a rollover?

Simply put, a rollover is a financial transaction that typically moves funds from one tax-deferred savings vehicle and puts it into another. Direct rollovers do that without compromising the tax-deferred status of those funds.

A 401(k) plan is one example of a tax-deferred savings vehicle commonly offered by employers. The money you put in and any matching dollars from your employer aren't taxed upfront. Likewise, taxes on any growth that account experiences are delayed. As a result, you'll see the advantage of compound interest applied to the full

amount and any interest that is accrued on the full amount as long as its tax-deferred status is maintained.

Instead of paying taxes when the money goes in, you pay them when the money comes out. They're deferred, hence the term tax-deferred savings.

But what happens when you change jobs or your employment comes to an end? If you take your money out when you leave, taxes would no longer be deferred. They'd be due on your next tax bill, likely with a 10% penalty¹ for taking the money out prior to age 59 1/2, what the government considers retirement age for

the sake of tax-deferred savings vehicles. A rollover allows you to move your money to another, similar tax-deferred account without requiring a tax payment.

The most common rollovers are triggered by someone changing jobs or experiencing what's referred to as a separation of service – retiring, getting fired, or laid off, for example. If you contributed to a 401(k) at your former employer, maybe got some matching funds that vested, and you've never done anything with that money, it's likely still in their care, but it doesn't have to be.

You have options.

What are my options?

Any time you change jobs or otherwise leave an employer where you have money saved for retirement, you have several options. Here are some common ones:

- **Cash out**, offering extra liquidity if you need it.
- **Leave the money in the plan**, if your prior employer allows it.
- **Take your money with you**, rolling it into your new employer's plan.
- **Roll it into a new, personal account (like an annuity)**, that is yours and not impacted by your future job changes.

Whatever course of action you choose, be certain that's the direction you want to go because it can be difficult or impossible to unwind the transaction once it's complete.

This isn't intended to be a comprehensive list. Talk to your financial professional and tax adviser for a complete list of considerations for your situation.

In reviewing possible options, here are some questions you may want to consider.

Cash out

- Do you need extra liquidity due to an unexpected expense?
- Are you financially prepared for a potential tax consequence if you cash out?
- Are you interested in continued compounded interest on your money?
- Do you want to continue allowing your money to grow tax deferred?

Leave it in your prior employer's plan

- Do you understand the possible rules and restrictions around keeping this plan in place?
- Do you like your current investment options and expense ratio?
- Are you comfortable with your plan being controlled by a former employer?
- Will you have the flexibility to make plan changes when you want to?



Roll it into your new employer's plan

- Does your new employer's plan allow roll-ins, and do you understand the transfer process?
- Do you feel you'll have more control of how your money is invested?
- Is consolidating all of your retirement accounts into one place important to you?
- Will you have enough diversification options in the new plan?

Roll it into a new, personal account (like an annuity)

- Do you have a trusted financial professional that can help you establish an account?
- Are you interested in establishing an independent account that is yours, no matter future job changes?
- Do you want to make your own account choices, such as deciding on a carrier and how your money is diversified?
- Is a Roth conversion an option you want available?

IRS rollover chart

		Roll To							
		Roth IRA	Traditional IRA	SIMPLE IRA	SEP-IRA	Governmental 457(b)	Qualified Plan ¹ (pre-tax)	403(b) (pre-tax)	Designated Roth Account (401(k), 403(b) or 457(b))
Roll From	Roth IRA	Yes ²	No	No	No	No	No	No	No
	Traditional IRA	Yes ³	Yes ²	Yes ^{2,7} , after two years	Yes ²	Yes ⁴	Yes	Yes	No
	SIMPLE IRA	Yes ³ , after two years	Yes ² , after two years	Yes ²	Yes ² , after two years	Yes ⁴ , after two years	Yes, after two years	Yes, after two years	No
	SEP-IRA	Yes ³	Yes ²	Yes ^{2,7} , after two years	Yes ²	Yes ⁴	Yes	Yes	No
	Governmental 457(b)	Yes ³	Yes	Yes ⁷ , after two years	Yes	Yes	Yes	Yes	Yes ^{3,5}
	Qualified Plan ¹ (pre-tax)	Yes ³	Yes	Yes ⁷ , after two years	Yes	Yes ⁴	Yes	Yes	Yes ^{3,5}
	403(b) (pre-tax)	Yes ³	Yes	Yes ⁷ , after two years	Yes	Yes ⁴	Yes	Yes	Yes ^{3,5}
	Designated Roth Account (401(k), 403(b) or 457(b))	Yes	No	No	No	No	No	No	Yes ⁶

Source: https://www.irs.gov/pub/irs-tege/rollover_chart.pdf

1. Qualified plans include, for example, profit-sharing, 401(k), money purchase, and defined benefit plans. 2. Only one rollover in any 12-month period. 3. Must include in income.

4. Must have separate accounts. 5. Must be an in-plan rollover. 6. Any nontaxable amounts distributed must be rolled over by direct trustee-to-trustee transfer.

7. Applies to rollover contributions after December 18, 2015. For more information regarding retirement plans and rollovers, visit Tax Information for Retirement Plans.

How to complete a rollover

Completing a rollover can be as easy as 1-2-3:

1. Work with a financial professional to explore the pros and cons of completing a rollover, including any special rules under your plan.
2. If you choose to go forward with one, pick a strong, stable insurance carrier or financial institution to manage it (might we recommend North American?).
3. You or your financial professional (on your behalf) lets your former employer's plan administrator know where your new account is and completes their transfer process.



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1. There are several exceptions to the 10% IRS penalty for early withdrawals. Talk to your tax advisor for all the exceptions and whether you might qualify.