

Distribution Options for Your **RETIREMENT ACCOUNT**

What to Do With Your Retirement Account
When You Leave Your Job



Taking **ACTION**

Deciding what to do with your retirement plan—to leave it where it is or to take a distribution—is a key financial decision.

To ensure that you successfully negotiate all the details, especially the tax ramifications of each option, you should consult with your financial advisor.

**Call 1-800-581-7998, option #1,
then option #2, to speak with
a Distribution Counselor.**



EXPLORE Your Options

As you leave your job, you've got an important decision to make—what should you do with your retirement plan account? This is one of the most important financial decisions you'll make so you need to carefully weigh all the options. The purpose of this brochure is to provide an overview of the four basic options available and help you come to the best decision for your financial future.

Please consider your options carefully before making any decision. You may want to consult with a financial advisor to help you in the decision process. For information about a rollover IRA and your other distribution options, you may wish to contact one of our Distribution Counselors. Our Distribution Counselors offer free assistance, simple solutions and can even open your rollover IRA account over the phone. To speak with a Distribution Counselor call 1-800-581-7998, then press option #1, and then option #2.

Whatever decision you make, keep in mind that your retirement plan savings will most likely make up the largest portion of your retirement nest egg. Making the right decisions today will help you stay on track to a secure retirement.



1

Do **NOTHING:**

Keep your savings in your previous employer's retirement plan (if allowed)

The argument for...

- Your money continues to grow tax-deferred.
- You avoid the 10% early withdrawal penalty if under age 59½.*
- Little or no paperwork.
- Your plan may allow loans.
- Your investment strategy remains intact.
- May be allowed to withdraw money without penalty.

The argument against...

- The plan may place limitations on inactive accounts.
- Investment options are limited to those offered in the plan.
- Withdrawals and distributions are subject to the plan's provisions.
- The company may be acquired and/or change its plan in the future.

Taking The Easy Way Out

If the plan allows, perhaps the easiest way to have your retirement money continue to grow tax-deferred is by simply leaving the assets in your previous employer's plan.

The Lowdown on Loans

Whether you choose to keep your money in your previous employer's retirement plan or roll it over into another tax-deferred vehicle, don't forget about any outstanding loans that you may have. If you don't repay the balance, the IRS will consider the loan to be a taxable distribution from your plan. If that happens, you'll have to pay current federal, state and local taxes. In addition, you may be subject to the 10% early withdrawal penalty. For details on repaying the loan, be sure to contact a Human Resources representative at your previous employer.

Moving Forward

If you choose this option, you should:

- Determine if the plan's investment and service options continue to meet your needs.
- Ask your previous employer if you are eligible to keep your assets in the plan.
- Ask whether the plan limits options for inactive accounts.
- Determine if any paperwork needs to be completed.
- Your plan may require that your vested balance in your account must be more than \$5,000. You'll want to check with your Human Resources department to make sure this option is available to you.

* No 10% penalty if age 59½ or older or have separated from employment in the year you reach age 55 or older.

2

Roll your savings into an IRA

The argument for...

- Your money continues to grow tax-deferred.
- You avoid the 10% early withdrawal penalty if under age 59½.*
- You may have access to additional investment opportunities.
- You control how to access your savings.
- Flexibility to move your IRA rollover assets into a future employer's plan.
- Potential to convert your assets to a Roth IRA in the future.

The argument against...

- Required minimum distributions must begin at age 70½.
- Tax-deferral on future earnings of after-tax assets (if applicable) ends.
- No loans against your account are permitted.



Coming to Terms with a Rollover

When you move assets from an existing retirement plan to an IRA you have two options: a direct rollover or an indirect rollover. It's important to understand the differences. There could be significant tax implications if you choose an indirect rollover.

By using a **direct, or "trustee-to-trustee" rollover**, you are instructing your previous employer to make your distribution payable to the new IRA custodian. Since the rollover amount is made payable to the IRA custodian, it is not subject to current income tax. Additionally, 100% of your money is rolled over so that it continues to grow on a tax-deferred basis.

With an **indirect rollover**, your previous employer makes the distribution payable to you, **less 20%** that is required to be withheld for taxes. You then have just 60 days to roll the money over to your new IRA. To make a full rollover you must **personally come up with the 20%** that was withheld from your distribution.

Otherwise, the IRS will consider that portion to be a distribution, and you'll have to pay taxes, plus the 10% early withdrawal penalty (if you're under 59½*) on that amount. Amounts withheld are credited against any taxes you will owe for the calendar year.

Moving Forward

If you choose this option, you should:

- Choose an IRA provider and complete an account application. AmSouth can help. Call the number below.
- Notify your previous employer that you'll be initiating a rollover, and obtain the proper distribution forms.

For help with initiating a rollover, call an AmSouth Distribution Counselor at:
1-800-581-7998.
Press option #1, then option #2.

* No 10% penalty if age 59½ or older or have separated from employment in the year you reach age 55 or older.

** Initial purchases only; additional contributions to account would incur regular sales charges.

3

Rollover to your new **PLAN**

Move your savings into your new employer's retirement plan (if allowed)

The argument for...

- Your money continues to grow tax-deferred.
- You avoid the 10% early withdrawal penalty if under age 59½.*
- New plan may allow loans.
- Your retirement assets are consolidated with one provider.



The argument against...

- There may be a waiting period before you may transfer your balances to the new plan
- The new plan may have higher fees than the old plan.
- Investment options are limited to those offered in the plan.
- Withdrawals and distributions are subject to the plan's provisions.
- Investment options and features offered by your previous plan may be more favorable than your new employer's plan.

Taking it With You

Another option is to roll over your money from your previous employer's plan into your new company's retirement plan. This option is subject to the rules and regulations of your new plan. However, if allowed, there are a number of benefits in taking this approach.

If your new employer's plan does allow rollovers, there are several things to consider. There may be a waiting period before you can join your new company's plan or before the plan will accept rollover assets. In addition, your investment options may not be as attractive as your old plan and there could be higher fees associated with your new plan. Finally, remember that withdrawals and distributions are subject to the new plan's provisions.

* No 10% penalty if age 59½ or older or have separated from employment in the year you reach age 55 or older.

Moving Forward

If you choose this option, you should:

- Confirm with your new employer that their plan accepts rollovers.
- To initiate a direct or indirect rollover, call your new plan sponsor to start the distribution process.
- Complete the necessary paperwork from your previous and current employers to process the transaction.

For help with initiating a rollover, call an AmSouth Distribution Counselor at:
1-800-581-7998.
Press option #1, then option #2.

4

Take your savings in CASH

The argument for...

- Immediate access to a portion of your money.

The argument against...

- Your savings will no longer grow tax-deferred.
- Without compounded growth, you short-change your potential for wealth in retirement.
- You may have a 10% early withdrawal penalty that generally applies to people under age 59 1/2.*
- Your distribution will be subject to all applicable federal, state and local taxes.

Is your retirement worth only 60 cents on the dollar?

Should you decide to cash in on your retirement plan, you'll be surprised at just how little you'll get to keep. That's because you'll get hit with a 10% IRS penalty for taking an early withdrawal if you're under age 59 1/2*. Also, your entire distribution will be treated as current income, subject to any federal, state and local income taxes that may apply.

Distribution	\$5,000
Less 10% early withdrawal penalty	(\$ 500)
Income tax @25% Federal tax rate	(\$1,250)
State income tax @ 5% State tax rate	(\$ 250)
Net distribution after penalty and taxes	\$3,000

\$3,000 divided by \$5,000 equals \$.60 (rounded up)

Note: If your plan allows, you may be able to take just a portion of your distribution in cash. You may roll the rest into an IRA or other plan to maintain the favorable tax status of the rolled amount.

Moving Forward

If you choose this option, you should:

- Calculate the effect of any applicable taxes and penalties before requesting the cash distribution.
- Speak with a tax advisor regarding your potential tax liabilities.
- Complete any paperwork necessary to initiate the process.



* No 10% penalty if age 59 1/2 or older or have separated from employment in the year you reach age 55 or older.



KMI-001-0710

© 2008 Kmotion, Inc.
All Rights Reserved

Reinventing Retirement is a Registered Trademark of Kmotion, Inc.