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Leaving Your Employer?

Know the Options for Your Retirement Savings

This brochure discusses the four options generally available to you as a participant in an employer-sponsored retirement plan who is terminating service with the sponsoring employer.

We hope you find it helpful.

PRIMERICA®

FOUR OPTIONS FOR RETIREMENT PLAN SAVINGS

When you leave an employer and have savings in your employer's retirement plan, you typically have four options for your plan savings.

1. **Keep your savings in your previous employer's plan**
   (if the plan permits)

2. **Transfer, or "roll over," your savings to your new employer's plan**
   (if one is available and accepts rollovers)

3. **Roll over the savings to an Individual Retirement Account (IRA)**

4. **Take a cash distribution from the plan**
   (subject to applicable taxes and penalties)

OPTION ONE
Keep the Savings in the Previous Employer's Plan

Plans typically permit departing employees to keep their savings in the plan if the savings is above a minimum amount (e.g., $5,000). Check with your previous employer to determine if this option is available to you. While you're at it, ask about the advantages and disadvantages of leaving savings in the plan. Here are some things we think you should keep in mind when evaluating this option:

- **Tax-Deferred Growth.** If you keep your savings in your previous employer's plan, your savings will continue to grow tax-deferred.
- **Fees and Expenses.** You should find out what fees and expenses apply to your savings under the plan. Fees and expenses vary significantly from plan to plan and may include the following:
    - **Investment-Related Expenses –** Investment-related expenses include expenses that apply to the investments in which your plan savings are invested, such as mutual funds or collective trusts. These may include up-front or ongoing commissions, fund operating expenses and investment management or advisory fees. These expenses will reduce the overall return on your investments. Many plans offer "institutionally priced" investment options that are less expensive than the investment options available to retail investors outside of a plan.
    - **Plan Administrative Expenses –** Administrative expenses may include recordkeeping, compliance and other expenses. Some employers pay for some or all of a plan's administrative expenses, while others pass them on to participants. Check with your plan administrator to determine what administrative expenses may apply to your plan account.
- **Availability of Penalty-Free Withdrawals –** You may be able to take a penalty-free withdrawal from a plan sooner than you would be able to do so under an IRA. Under IRS rules, withdrawals from employer-sponsored plans and IRAs are subject to a 10 percent early withdrawal penalty if taken prior to age 59½. But this rule does not apply to withdrawals from employer-sponsored plans by participants who terminate service after age 55, if permitted under the plan's terms. Check with your plan administrator.
- **Services –** Services offered to plan participants vary from plan to plan and may include access to investment advice and education, planning tools, telephone help lines, educational materials, and workshops. You should check with the plan administrator to find out what services are available, determine any fees that may apply, and then compare them to services available from the other options you may be considering.
- **Loans –** Some plans do not permit former employees to take loans from the plan. If the ability to take a loan is important to you, check the Summary Plan Description (SPD) or talk to the plan administrator.
- **Investment Options –** Unlike an IRA, investment options are limited to those selected by the plan's fiduciaries (unless an open-brokerage window is available). You should review the plan's available investment options and decide whether they are sufficient to help you meet your retirement goals, or whether a broader range of investments would be more appropriate for you given your current circumstances. Also, see the discussion of fees and expenses above.
- **Distribution Options –** Distribution or withdrawal options under your former employer's plan may be limited. For example, some plans permit only one-time, lump sum distributions of your entire account balance, and do not permit participants to take periodic or partial withdrawals. Find out what distribution options are available and whether they meet your anticipated needs.
- **Protection from Creditors –** Generally, savings in an employer plan are protected from creditors under federal law, while IRA assets are protected in bankruptcy proceedings only. If protection from creditors is a concern for you, then you should consult your legal advisers for more information regarding these protections.
- **Required Minimum Distributions (RMDs) –** IRS rules generally require savings in employer-sponsored plans and IRAs to begin to be distributed after you reach age 70½, though some employer-sponsored plans allow you to defer distributions if you keep working after age 70½. If you have savings in multiple plans and IRAs, you may find it harder to determine the amount of, and track, your RMDs, than if your savings is in only one or two places. To avoid complications, it may be worthwhile to consolidate your retirement savings into one or two accounts.
- **Do You Own Employer Stock in Your Plan?** Participants who own appreciated employer stock in a former employer's plan may want to consider an in-kind distribution, rather than rolling over to another plan or an IRA. Generally, with an in-kind distribution, a participant will pay ordinary income tax on the amount paid to acquire the stock, but will not pay tax on the stock's appreciation (or increase in its value) until the stock is sold. The appreciation will be taxed at the capital gains rate, rather than as ordinary income. The special tax treatment of the appreciation may be lost if the stock is rolled over to another plan or IRA, where all distributions will be taxed as ordinary income. If you hold appreciated employer stock in your plan, it's a good idea to talk to your tax professional before deciding what to do.

OPTION TWO
Transfer the Savings to a New Employer's Plan

If you're changing jobs and your new employer has a retirement plan, check to see if it accepts rollovers from other plans. If it does (and not all do), then you should consider whether transferring your retirement savings to your new employer's plan is right for you. Here are the items to consider when making this decision:

- **Tax-Deferred Growth –** Like your previous employer's plan and IRAs, your new employer's plan will allow your savings to continue to grow tax-free.
- **Fees and Expenses –** As with your previous employer's plan, you should find out what fees and expenses apply to your new employer's plan. As noted above, fees and expenses vary significantly from plan to plan and may include investment-related and plan administrative expenses. See above for more information about these types of expenses.
- **Services –** Services offered to plan participants vary from plan-to-plan and may include access to investment advice and education, planning tools, telephone help lines, educational materials, and workshops. You should check with the plan administrator to find out what services are available and any fees and expenses that may apply.
- **Availability of Penalty-Free Withdrawals –** As discussed above, some plans permit penalty-free withdrawals for participants who retire after age 55, if permitted by the terms of the plan. Generally, penalty-free withdrawals are not available from IRAs until after age 59½, unless taken pursuant to an IRS approved exception. See the section on IRAs for more details.
- **Availability of Loans –** Some plans allow participants to borrow from their plan account, including from rollover amounts. If this is an important option for you, check with the plan administrator to see if, and under what conditions, your new employer's plan permits participant loans.
- **Required Minimum Distributions –** As noted above, IRS rules generally require savings in employer-sponsored plans and IRAs to begin to be distributed after you reach age 70½, though some employer-sponsored plans allow you to defer distributions if you keep working after age 70½. If this is important to you, check with the plan administrator to see if the plan permits you to defer distributions for as long as you continue to work.
- **Investment Options –** Take the time to check out the investment options available in the new plan to determine whether they are appropriate to achieving your investment objectives and retirement savings goals. This includes considering the fees and expenses applicable to each option. Also, note whether there are any restrictions on transfers between investment options.
- **Distribution Options –** Distribution options in your new employer's plan may be limited. For example, some plans permit only one-time, lump sum distributions of your entire account balance, and do not permit participants to take periodic or partial withdrawals. Find out what distributions options are available and whether they meet your needs.
- **Protection from Creditors –** Generally, savings in an employer plan are protected from creditors under federal law. You should consult your legal advisers for more information regarding these protections.
- **Do You Own Your Employer's Stock in Your Plan?** Participants who own appreciated employer stock in a former employer's plan may want to consider an in-kind distribution, rather than rolling over to another plan, where permitted, or an IRA. You should discuss the tax consequences of rolling over employer stock to another plan or IRA with a tax adviser if you need help making this decision.

OPTION THREE
Roll Over the Savings to an IRA

There's one more way to preserve the tax-deferred growth of your retirement savings, and that's to roll over the savings to an IRA offered through a brokerage firm or other IRA provider. Here are some points to consider when evaluating this option:

- **Tax-Deferred Growth.** If you roll over your savings to a traditional IRA, your savings will continue to grow tax-deferred. You may also have the option to roll over savings to a Roth IRA, which will change their tax treatment. Talk to a tax adviser to determine which option may be best for you.
- **Fees and Expenses –** You should find out what fees and expenses apply to any IRA product you are considering. Fees and expenses vary among different IRA providers and products and may include the following:
  - **Investment-Related Expenses –** Investment-related expenses include expenses that apply to the investments in which your IRA assets are invested. These may include up-front or ongoing commissions, fund operating expenses and investment management or advisory fees. Investment-related expenses are normally higher in an IRA than in similar investment options offered in an employer-sponsored plan.
  - **Account Fees –** Account fees and expenses may include administrative, account set-up and custodial fees.

- **Services –** Services offered through IRAs vary depending on the IRA provider and the specific product chosen. Services may include full brokerage service, investment advice, discretionary investment management, distribution planning, and access to securities execution online. You should check with the IRA provider to find out what services are available and any fees and expenses that may apply.
- **PFS Investments Inc. –** Our firm is an IRA provider that, as a broker-dealer, offers a variety of mutual funds and annuity products, and, as an investment adviser, offers a mutual fund wrap-fee program for a minimum investment of $25,000. In either case, you will receive personalized investment advice, online access to your account, and a representative to help you stay on track so you achieve your retirement goals.
- **Availability of Penalty-Free Withdrawals –** The exception discussed above that may permit you to withdraw money from an employer plan as early as age 55 without penalty does not apply to IRAs. Penalty-free withdrawals from IRAs are not available until age 59½, unless you qualify for an IRS-approved exception. Generally, the most popular exceptions are as follows.

  1. Distributions made as part of a series of substantially equal periodic payments for your life or the joint lives of you and your designated beneficiary
  2. Distributions due to total or permanent disability
  3. A distribution to an unemployed individual to cover the cost of health insurance premium payments
  4. A distribution to cover certain medical expenses
  5. A distribution of up to $10,000 to a first-time homebuyer for the acquisition of a principal residence
  6. A distribution for qualified higher education expenses of the taxpayer, the taxpayer's spouse, or any child or grandchild of either
  7. A distribution for unreimbursed medical expenses.

  Please see your tax professional for the details of these exceptions and for others that may exist.
- **Availability of Loans –** IRS rules do not permit you to take a loan against your IRA assets.
- **Investment Options –** IRAs often offer a broader array of investment options than those available through employer plans. You should consider whether you are satisfied with the investment options under the available plans, or whether an IRA's broader array is more appropriate to meeting your investment objectives and retirement goals. However, as discussed above, investment-related fees will generally be higher for an IRA than an employer plan.
- **Distribution Options –** IRAs typically offer more flexibility in distribution options than employer plans. For example, IRAs generally permit participants to take periodic or partial withdrawals, or set-up systematic distributions, whereas many plans permit only lump sum distributions. Also, many IRA providers offer variable annuities with living benefit riders that help protect your retirement income against market losses for an additional fee. These products are not generally available in employer plans.
- **Required Minimum Distributions –** Unlike some employer plans, IRS rules require distributions from IRAs to commence after you attain age 70½ – even if you keep working. Consult your tax adviser for more information about IRA distributions.
- **Protection from Creditors –** Generally speaking, assets in an employer-sponsored plan 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. If creditors are a concern to you, then you should consult your legal advisers for more information regarding these protections.
- **Do You Own Your Employer's Stock in Your Plan?** Participants who own appreciated employer stock in a former employer's plan may want to consider an in-kind distribution, rather than rolling over to another plan or an IRA. You should discuss the tax consequences of rolling over employer stock to another plan or IRA with a tax adviser if you need help making this decision.
- **Conflict of Interest.** Financial services firms, such as banks, broker-dealers and investment advisers, and their representatives that offer IRAs generally earn commissions and/or other fees as a result of your decision to fund the IRA. In contrast, your decision to leave your savings in your former employer's plan or roll over to a new employer's plan likely results in little or no compensation for such a firm or its representative. Thus, it's important for you to understand that any financial professional who discusses options with respect to rolling over your plan savings into an IRA could benefit financially from that move.

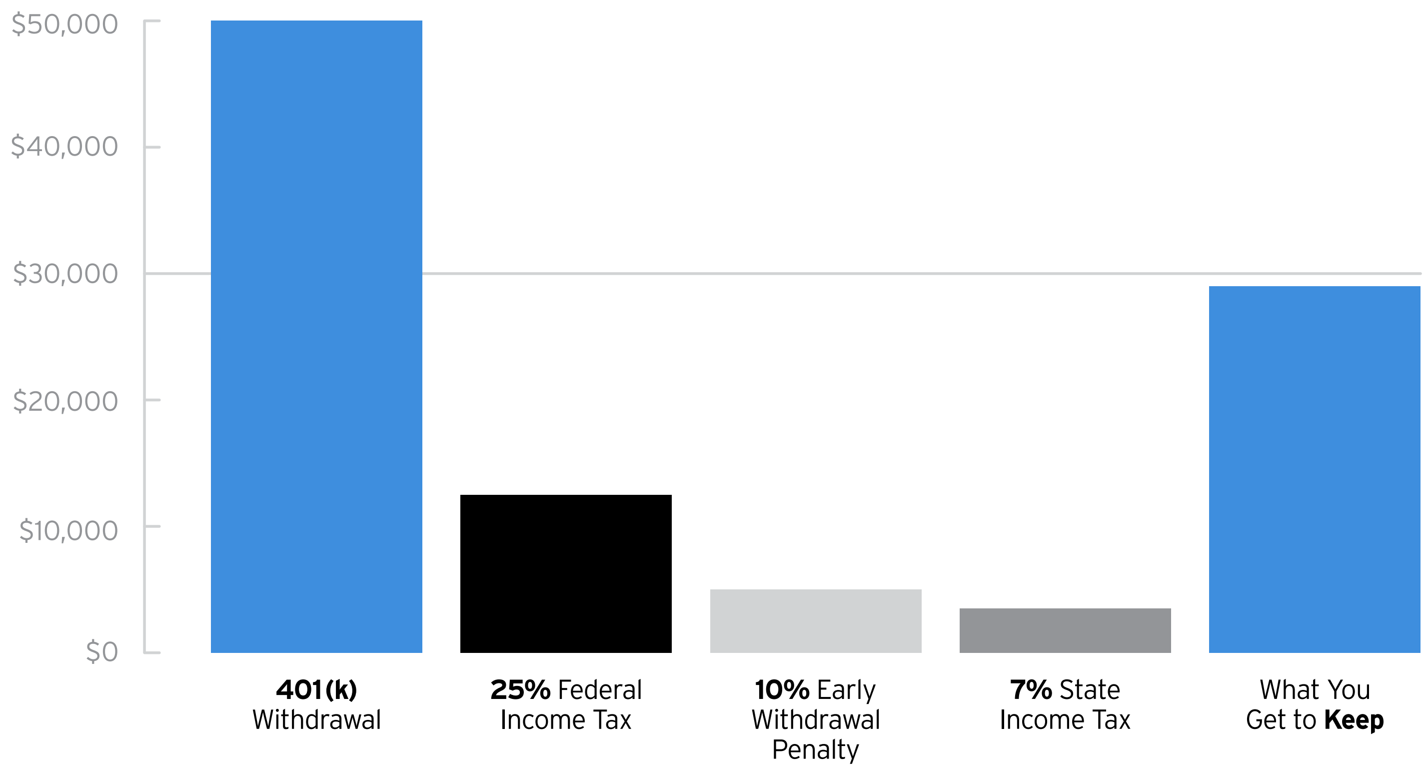
OPTION FOUR
Take a cash distribution of the savings from the plan (subject to applicable taxes and penalties)

Taking an early distribution from an employer-sponsored plan is rarely a good thing to do and should be regarded as the last option to solve any financial problem. Although you will have immediate use of whatever's left of your money after penalties and taxes, taking a cash distribution could set your retirement savings back years. Here's why:

- **Income Taxes.** Your withdrawal will be taxed as ordinary income in the year in which you take the distribution and may be subject to local, state and federal income taxes. Generally, your plan must withhold 20 percent of a distribution to ensure payment of federal taxes.
- **Early Withdrawal Penalty.** If you are under 59½ (or 55 under some plans), you may be subject to a 10 percent early withdrawal penalty (if no exception applies). Consult your tax adviser with regard to this potential penalty.

Taxes and penalties may take a big bite out of your retirement savings! For example, here's a chart showing how much you would get to keep from a 401(k) withdrawal of $50,000 at age 50, assuming a 25 percent federal marginal income tax rate, a seven percent state income tax, and a 10 percent penalty for early withdrawal. In the end you get to keep only $29,000. Plus you lose any tax-deferred growth you would have achieved on that money in the future.

401(k) Withdrawal at Age 50



TERMS

Employer-Sponsored Plan– A 401(k), 403(b), 457(b) or other retirement plan maintained by an employer for its employees.

Plan Administrator– The person who is identified in the plan document or SPD as having responsibility for running the plan. It could be the employer, a committee of employees, a company executive, or someone hired for that purpose.

Plan Sponsor– The entity that establishes a plan. This may be a business, corporation, government agency, labor union, or non-profit organization.

Required Minimum Distributions (RMDs)– Once an individual reaches age 70½, the rules for both employer-sponsored plans and IRAs require the periodic withdrawal of certain minimum amounts, known as required minimum distributions or RMDs. If a person is still working at age 70½, however, she may not be required to take RMDs from her current employer's plan, depending on the terms of the plan. This may be advantageous for those who plan to work into their 70s.

Rollover– A general term used to refer to the act of transferring your retirement assets to either another plan or an IRA –

> Direct Rollover – (i.e., "trustee to trustee transfer") – You instruct your former employer to send your plan assets directly to your new employer's plan or to your IRA, and you never have to handle the money yourself.

> Indirect Rollover – Typically, with an indirect rollover, you start by requesting a lump sum distribution from your plan administrator and then take responsibility for delivering the funds to the new plan or an IRA. If not handled appropriately, indirect rollovers may have significant tax consequences. When you take a distribution from your plan, the plan is required to withhold 20 percent to ensure that the taxes will be paid if the rollover is not completed. To avoid incurring taxable income (and maybe an early withdrawal penalty) on the amount withheld, you have to use other funds to add that amount back to the amount you received from the plan, and deposit the entire amount into your new employer's plan or an IRA within 60 days. (You should get the amount you added back if you properly complete the rollover when you file your annual income tax return).

Summary Plan Description (SPD) A document provided by the plan administrator to plan participants that includes a plain language description of important features of the plan.

Tax-Deferred Growth An advantage of saving for retirement in a plan or IRA, which allows participants to accumulate retirement savings without paying taxes on the income/gains until withdrawn. Typically, the income/gains are withdrawn during retirement when the recipient is in a lower federal income tax bracket.

PFS INVESTMENTS AND YOUR EMPLOYER-SPONSORED PLAN

PFS Investments Inc. (PFSI) is a registered broker-dealer that offers mutual funds, variable annuities and college savings plans. Also, PFSI is an SEC-registered investment adviser doing business as Primerica Advisors, which offers a mutual fund wrap-fee program for a minimum investment of $25,000. Both PFSI and Primerica Advisors are IRA providers and receive compensation for this service. The information provided in this brochure is intended only to help a plan participant understand the options available for a plan balance upon terminating service with the sponsoring employer. What to do with your retirement savings is an important decision and we encourage you to do appropriate due diligence to determine which of the four options, or combination of options, is right for you. Please feel free to discuss the information in this brochure with your plan administrator, other plan-level adviser, or a tax professional.

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For More Information Check Out the Following:

FINRA – "The IRA Rollover: 10 Tips to Making a Sound Decision", online at: www.finra.org/Investors/ProtectYourself/InvestorAlerts/RetirementAccounts/P436001

FINRA – "Smart 401(k) Investing" online at: www.finra.org/Investors /SmartInvesting/Retirement/Smart401kInvesting/Introduction/

FINRA – "RMD Calculator", online at: http://apps.finra.org/Calcs_/1/RMD

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