MAIN OFFICE

Ballantrae Professional
Office Park

17961 Hunting Bow Circle

Suite 102

Lutz, FL 33558-5374

813.996.6100

800.983.4448

info@dmkadvisorgroup.com

VISIT US ONLINE AT

dmkadvisorgroup.com

YOUR RETIREMENT SAVINGS AND THE IN-SERVICE WITHDRAWAL

Remember a few years ago how shocked we were when large, seemingly successful companies like ENRON, Worldcom and Lehman Brothers began to crash and burn? While the news was bad for shareholders and creditors, imagine what it was like working for one of those companies. Their employees learned in a hurry about the pitfalls of depending on one company for both their current paycheck and their future retirement income. In one fell swoop, these employees were out of work and out of luck when it came to their retirement savings.

HOW AN IN-SERVICE WITHDRAWAL MAY BOOST YOUR SAVINGS

Clearly, wage earners need protection when their employers are the managers of their 401(k). That's why in 2004 Congress passed regulations allowing for "In-service Withdrawals." Now, under certain circumstances, your employer must allow you to roll over at least a portion of your 401(k) into a self-directed plan. Here's why you may want to consider doing just that:

- **MORE INVESTMENT OPTIONS . . .** When you roll over part or all of your 401(k) into a self-directed account, you'll have access to a much wider range of investment vehicles than the typical 401(k) offers, giving you greater opportunities for growth.
- **YOUR CHOICE OF ADVISOR . . .** You'll also be able to choose an investment advisor who provides you with greater service and support, and helps you tailor your savings strategies to your goals and risk tolerance.
- **GREATER DIVERSITY . . .** By moving funds away from your employer's management, you'll have greater diversity with your retirement savings and won't be as dependent on the performance of your employer's plan. That's especially important if your employer is funding your 401(k) with company stock.
- **A CHANCE FOR TAX-FREE INCOME AT RETIREMENT . . .** With this type of rollover, you have the choice of a traditional IRA or a Roth IRA. The traditional IRA allows you to make the rollover tax-free, but your distributions at retirement will be taxed as ordinary income. With the Roth IRA, on the other hand, you'll pay current income taxes on your fund balance, but at retirement, your distributions will be completely tax free.

- **CONTINUITY IN CASE YOU CHANGE EMPLOYERS . . .** If you change jobs between now and retirement, you won't have to worry about a disruption to your retirement plan contributions. You can continue to contribute to your IRA – either traditional or Roth – regardless of who your current employer may be. On the other hand, if you are downsized or leave the employer sponsoring your current pension plan, you won't be able to make further contributions unless you roll it over.
- **BETTER ESTATE PLANNING OPTIONS . . .** With an IRA, you have much greater options for naming beneficiaries for your plan. That's important, because it allows your beneficiary to stretch out distributions based on his or her life expectancy, thus delaying taxes and extending the opportunity for tax-deferred growth. Most employer-sponsored pension plans don't offer these options.

WHO CAN MAKE IN-SERVICE WITHDRAWALS

Of course, "In-service Withdrawals" are subject to certain limitations:

- You must be at least 59 years of age to take advantage of this option.
- You must be a participant in any employer-sponsored pension plan, including 401(k)s, 403(b)s, 457s, money purchase plans and defined benefit plans.
- Although you must be allowed to redirect at least 25 percent of your account, your employer may impose limits beyond this minimum.
- You must roll over your funds into an appropriate, tax qualified plan to avoid tax penalties.

DISADVANTAGES OF AN IN-SERVICE DISTRIBUTION

Before you make this move, consider these potential drawbacks:

- **YOU MAY LOSE OUT ON FAVORABLE TAX TREATMENT.** Net Unrealized Appreciation (NUA) tax treatment may apply if your company pension plan holds highly appreciated company stock. Under this provision, you may be able to take a distribution of your employer's stock from your qualified plan and pay ordinary income tax only on your basis at the time of distribution while deferring taxes on appreciation, which will be taxed at long-term capital gains rates when you eventually sell the stock. With an IRA, however, you will pay ordinary income tax, generally a higher tax rate, on the shares at distribution.

- **YOU MAY NOT HAVE THE SAME LEVEL OF CREDITOR PROTECTION.** Federal law protects assets in most employer-sponsored pension plans, while state laws govern the protection that IRAs have against creditor action. Federal bankruptcy law does protect your IRA, however.
- **YOU MAY LOSE OUT ON PENALTY-FREE WITHDRAWALS.** Under current law, if you leave your job between the ages of 55 to 59 , you may be able to take penalty-free withdrawals from an employer's plan, something you wouldn't be able to do from other plans until age 59 . It may also be harder to take out loans from an IRA.
- **YOU MAY HAVE TO TAKE DISTRIBUTIONS SOONER THAN YOU'D LIKE.** With most qualified plans, incuding IRAs, you have to start taking required minimum distributions from your plan by no later than age 70 . However, if you are still working, you may be able to delay distributions from your employer-sponsored plan. That can be an important consideration if you plan to keep working into your 70s.

Before you decide to roll funds over from one plan to another, be sure to review with your qualified advisor all the potential fees, expenses, commissions, taxes and other legal ramifications that may impact your choice.

GET EXPERT HELP

With as much as you may have riding on making the right choice for your retirement savings, you probably want expert help. If so, let the DMK Advisor Group, Inc. team help you evaluate your options and create a retirement savings strategy that meets your needs. We have been serving clients just like you for more than 35 years and have more than $80 million in assets under management. We'd welcome the opportunity to help you diversify your employer-sponsored retirement funds, so call us today at 800-983-4448 to get started.

ABOUT DMK ADVISOR GROUP, INC.

First established in 1993, the firm that would eventually become DMK Advisor Group, Inc. was created to help clients achieve their most cherished goals through personalized financial planning services and a wide range of quality financial products. Today, the firm has evolved to include a team of affiliated financial professionals from coast to coast. Working together, the advisors of DMK Advisor Group offer the expertise, planning techniques, and products to serve businesses, individuals, and families.

ABOUT DMK ADVISOR GROUP, INC.

First established in 1993, the firm that would eventually become DMK Advisor Group, Inc. was created to help clients achieve their most cherished goals through personalized financial planning services and a wide range of quality financial products. Today, the firm has evolved to include a team of affiliated financial professionals from coast to coast. Working together, the advisors of DMK Advisor Group offer the expertise, planning techniques, and products to serve businesses, individuals, and families.