

put tomorrow in  
MOTION



## Make the Most of Your Retirement Plan Distribution

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Western & Southern  
Financial Group



## **You've Wisely Invested For the Future**

Now it's time to take the next step — deciding what to do with the money you've accumulated in your retirement plan. The money may now be **YOURS**. For any number of reasons — changing jobs, retirement, downsizing or perhaps even plan termination — you must decide what to do with your distribution.

## Outline Your Opportunity

- Begin with your age. How old are you? With certain exceptions, there is a 10% penalty tax on amounts received before age 59½.
- Second, what is your vested balance and what are your options under your current plan? Is this your only distribution, or is it just one of several?
- Next, consider your income needs. How much do you spend each month? What are your income sources now and in the future?
- Last, look at your current tax situation. Can you afford to pay taxes on the distribution?

### Planning Tip

There are many questions to ask yourself, and they all are very important when deciding how to manage your distribution. Be sure to keep a list and contact your financial advisor for assistance.



## Taxes Can Take a Bite

Making the most of your retirement money is the goal. But most people don't realize how quickly taxes can reduce their retirement nest egg.

**Consider an example.** Suppose your vested balance is \$20,000 and you take it now. If your marginal tax rate is 30% (federal and state), income taxes will immediately slash your distribution by \$6,000. What was \$20,000 becomes \$14,000. And that's not all. If you're not yet 59½, your distribution may be subject to a 10% penalty tax. That will cut an additional \$2,000 from your distribution!

The bottom line is that, most often, this alternative results in the highest amount of taxes payable on your distribution. Should you opt to take your distribution, there are a few ways to avoid the additional 10% penalty tax. But whether they are of value depends on your situation and needs.

### Planning Tip

The IRS offers you a few ways to avoid the extra 10% tax. Death and disability are two. Other ways that are a bit more “friendly” are:

- The distribution is received due to separation from service after attaining age 55, or
- The distribution is paid in substantially equal periodic payments, called 72(t) distributions.

Contact your financial advisor for more information on these options or a calculation based on your specific situation.



## Consider Your Choices

When you are eligible to receive a retirement plan distribution and depending on the nature of the plan you participate in, you have three options:

**Do nothing.** By law, if your vested balance is greater than \$5,000, a company cannot force you to move it out of the retirement plan. Deciding not to decide is a decision in itself. Just remember that this is your future financial security, and you're in control — if you take control.

**Take your money and either spend it or put it toward some other use.** Remember though, this is the money that you originally counted on to someday provide you a comfortable retirement. Taking it now can have consequences in the years ahead.

**Maintain control of your money.** You can preserve your hard-earned dollars for its intended purpose: your retirement security. A direct rollover (that is, a “trustee-to-trustee” transfer) of your lump-sum distribution to an individual retirement account may be the right choice if that's your goal.

## Put Your Tomorrow in Motion

Focus on the importance of what to do with your retirement plan distribution and review your options. Whatever choice you make, what you do with your distribution can, and will, affect the quality of your retirement. *Make the Most of Your Retirement Plan Distribution* offers you steps to help smooth your transition no matter your reason for considering a retirement plan distribution:

- Learn about your options when receiving a distribution
- See how your decision can impact your current taxation and longer-term financial goals
- Discover financial strategies that will help smooth the transition into your next job or retirement

### Planning Tip

Retirement plans vary — and people even more so. The better you understand your options, the better equipped you are to determine what's right for you. Consult a financial professional for more information.

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