Rollover Checklist

Part 1. For Financial Advisors

Helping clients to complete retirement plan rollovers can be a great way for financial professionals to build their practices. The traditional IRA rollover market is expected to exceed $760 billion annually over the next five years.[1] The opportunity is substantial considering the majority of distribution recipients (60 percent) will roll over their plan balances at retirement.[2]

Financial advisors who do rollover business must be aware that the Department of Labor is focused on ensuring that they have fair, balanced and informative rollover discussions with their clients. The question of whether a rollover is right for a client can only be answered after looking at all available distribution options (e.g., withdrawing the assets, leaving the assets in the plan or rolling them to an IRA or another employer's plan). For each of the distribution options, clients should consider numerous factors such as available investment options, fees and expenses, services, taxes and penalties creditor protection, required minimum distributions and the tax treatment of employer stock.

Because of the potential for conflicts of interest, financial professionals who wish to deliver rollover advice and receive compensation must follow the tenets of a DOL prohibited transaction exemption (PTE). The DOL's newest PTE is 2020-02, *Improving Investment Advice for Workers & Retirees,* which allows financial advisors and financial institutions that give investment advice to retirement investors (i.e., plan sponsors, plan participants, IRA owners and beneficiaries) to be paid for their services without engaging in a prohibited transaction under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code (IRC). Financial professionals and institutions that seek to comply with PTE 2020-02 must satisfy the following six steps.

1. Provide advice in accordance with the "Impartial Conduct Standards," which mandate that advice be given in the best interest of the retirement investor at a reasonable price without any misleading statements;
2. Acknowledge in writing their fiduciary status under ERISA and the IRC;
3. Describe in writing the services to be provided and any material conflicts of interest that may exist;
4. Adopt policies and procedures prudently designed to ensure compliance with the Impartial Conduct Standards and that mitigate conflicts of interest;
5. Conduct an annual retrospective review of their compliance with the requirements and produce a written report that is certified by one of the financial institution's senior executive officers;
6. If the advice involves a rollover recommendation, then
   - Document the reasons that a rollover recommendation is in the best interest of the retirement investor; and
   - Disclose the justification for the rollover in writing to the retirement investor.

To satisfy the documentation requirement for rollovers from an employee benefit plan to an IRA, investment professionals and financial institutions should make diligent and prudent efforts to obtain a copy of the plan participant's ERISA §404(a)(5) fee disclosure. If the fee disclosure is unattainable, the financial institution and investment professional could rely on alternative data sources, such as the most recent Form 5500 or reliable benchmarks on typical fees and expenses for the type and size of plan at issue. Use this Rollover Checklist to assist with documenting compliant rollover discussions with clients.

Financial Advisor Considerations

Do you obtain the following documentation from your clients on a regular basis?

- IRA and retirement plan account statements
- Summary Plan Description and or Plan Document
- Participant Fee Disclosure under ERISA §404(a)(5)
- Annual Funding Notice (Defined benefit plan)
- Beneficiary information

Have you documented your consideration of the Retirement Investor's alternatives to a rollover?

- ☐ Yes
- ☐ No

Have you taken into account the "Rollover Considerations" identified in Part 2 with respect to each of your client's distribution options?

- ☐ Yes
- ☐ No

Use the following Part 2 with your clients.

[1] LIMRA, Secure Retirement Institute, Money in Motion: Understanding the Dynamics of the IRA Rollover Market, May 2021

[2] Investment Company Institute, 2021

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Part 2: For Participants

When you leave employment or otherwise become eligible to distribute your retirement account balance, you have a variety of options, generally, including leaving the money in your employer's plan (if permitted), rolling the assets to another employer's plan (if one is available and rollovers are permitted), rolling the assets to an IRA or cashing out the account value. Whether you should distribute or rollover some or all of your retirement savings is an important decision that, long-term, has the potential to affect your financial security in retirement.

There are several types of rollovers:

- Plan-to-IRA,
- IRA-to-IRA,
- Plan-to-Plan and
- Change from a commissioned-based account to a fee-based account.

Financial advisors who are compensated for investment recommendations related to distributions and rollovers are required to provide advice that is in your best interest. The advice could relate to 1) whether the rollover or distribution should be completed; 2) in what amount; 3) in what form and/or 4) the destination.

There are a number of key considerations in a rollover or distribution decision. You and your financial advisor can use the following checklist of considerations in a number of ways:

- As a guide to facilitate a thorough rollover discussion;
- As a way to compare and evaluate your options; and/or
- To document your choices.

Consider the following information with each of your distribution options when determining whether a distribution or rollover is in your best interest.

Rollover Considerations	
Investment Related Expenses	
Sales Loads	
Commissions	
Mutual Funds Expenses	
Investment Advisory Fees	
Plan Administrative Fees	
Recordkeeping	
Compliance	
Trustee Fees	
Access to Customer Service Representative	
IRA Fees	
Administration	
Account Set-Up	
Custodial Fees	
Does your employer pay for some or all of the plan's administrative expenses?	
Levels of Service	

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Rollover Considerations	
Investment Advice	
Planning Tools	
Phone Help	
Educational Materials	
Workshops	
Full Brokerage Services	
Distribution Planning	
Online securities execution	
Investment Alternatives	
Are you satisfied with the options available under the plan?	
Required Minimum Distributions (RMDs)	
Are they required?	
Employer Stock	
Are you overly concentrated?	
Have you considered the special tax rules for Net Unrealized Appreciation (NUA)?	
Other Considerations	
Taxation	
Penalty-Free Withdrawals	
Loans	
Protection from Creditors and Legal Judgments	
Client Preferences	
(e.g., Consolidation of multiple accounts in one institution)	

Based on a discussion with my financial advisor, after consideration of the above listed information with respect to each of my distribution options, I elect the following course of action:

_____No action at this time
_____Distribution — No rollover
_____Distribution with IRA rollover
_____Distribution with Roth IRA conversion
_____Distribution with rollover to another employer's plan
_____Other, explain: ____
____
____

Financial advisor____Date ______________________________

Investor____Date______________________________