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IRA Rollover Recommendation Disclosures

A plan participant leaving an employer sponsored savings plan such as a 401(k) typically has four options (and may engage in a combination of these options):

- leave the money in his former employer's plan, if permitted;
- roll over the assets to his new employer's plan, if one is available and rollovers are permitted;
- roll over to an IRA; or
- cash out the account value.

Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. As a fiduciary we have an obligation to evaluate these advantages and disadvantages, disclose any conflicts of interest, and together with you, the client, develop a strategy that is in your best interest.

Considerations

We as your advisor have fiduciary responsibilities when recommending a rollover or transfer of assets in an employer-sponsored retirement plan to an Individual Retirement Account (IRA) to be managed by us. Accordingly, a recommendation to roll over plan assets to an IRA rather than keeping assets in a previous employer's plan or rolling over to a new employer's plan, should reflect consideration of various factors, the importance of which will depend on the client's individual needs and circumstances. Some of the factors include:

Investment Options: An IRA is an alternative to leaving your retirement funds in your employer's plan. An IRA often enables you to select from a broader range of investment options than a plan. The importance of this factor will depend in part on how satisfied you are with the options available under the plan under consideration.

Services: You may wish to consider the different levels of service available under each option, including the availability of investment advice, financial planning and related services.

Fees and Expenses: Both plans and IRAs typically involve (i) investment-related expenses and (ii) plan or account fees. Certain employers may pay for some or all of the plan's administrative expenses, whereas IRA custodians may not charge, or may waive, administrative expenses. Investment-related expenses may include sales loads, commissions, the expenses of any mutual funds in which assets are invested and investment advisory fees.

Penalty-Free Withdrawals: If you leave your job between age 55 and 59½, you may be able to take penalty-free withdrawals from a plan. In contrast, penalty free withdrawals generally may not be made from an IRA until age 59½, with a few exceptions. You may also be able to borrow from a plan.

Protection from Creditors and Legal Judgments: Generally speaking, plan assets 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.

Required Minimum Distributions: Once you reach age 72, the rules for both plans and IRAs require the periodic withdrawal of certain minimum amounts, known as the required minimum distribution. If you are still working at age 72, however, you generally are not required to make required minimum distributions from your current employer's plan. This may be advantageous if you plan to work into your 70s.

Employer Stock: If you hold significantly appreciated employer stock in a plan you should consider the negative tax consequences of rolling the stock to an IRA. If employer stock is transferred in-kind to an IRA, stock appreciation may be taxed as ordinary income upon distribution. The tax advantages of retaining employer stock in a non-qualified account should be balanced with the possibility that you may be excessively concentrated in employer stock. It can be risky to have too much employer stock in one's retirement account; for some investors, it

may be advisable to liquidate the holdings and roll over the value to an IRA, even if it means losing long-term capital gains treatment on the stock's appreciation.

Conflicts of Interest: A recommendation that you roll over plan assets to an IRA into a managed account includes an implicit conflict of interest as we will earn a management fee for managing the assets. In contrast, a recommendation that you leave your plan assets with your old employer or roll the assets to a plan sponsored by a new employer likely results in little or no compensation for us. This conflict must be disclosed to you and your evaluation of the conflict is one of the factors that must be evaluated in making the recommendation.