

Pondering the options for your remaining retirement plan balance with your previous employer?

The decision of choosing what to do with your retirement assets from a previous employer is one of the more important financial decisions you will make. Your retirement assets may represent a substantial source of your future retirement income, and there are many factors you should consider based on your priorities.

What are my options for my Defined Contribution qualified retirement plan?

Typically, when you are eligible to take a distribution, you have four options available for your vested retirement plan balance. You may engage in one or a combination of the options listed below, depending on your employment status and the availability of the particular options within your plan

1

Take a distribution and pay the applicable taxes and potential early-withdrawal penalty.

Contact your retirement plan provider to initiate the distribution.

2

Leave the assets in your former employer's plan, if permitted.

Contact your previous employer's retirement plan provider to confirm if permissible.

3

Roll over the assets to your new employer's plan, if available and permitted.

Contact your current retirement plan provider to initiate the process.

4

Roll over your assets to an Individual Retirement Account (IRA).

Contact your IRA provider or speak with a Financial Advisor.

Consider your options and their potential impact on your long-term financial situation

Each option offers advantages and disadvantages, depending on your particular facts and circumstances (including your financial needs and your particular goals and objectives).

TAKE A DISTRIBUTION

When you take a distribution, the entire amount will generally be taxed as ordinary income (subject to certain exceptions). It will also be subject to mandatory 20% federal income tax withholding and may be subject to state income tax withholding as well. In addition, your distribution may be subject to a 10% early-withdrawal penalty tax if you are under age 59½ at the time of the distribution, unless you have separated from service with the employer who maintains the plan in or after the year you reach age 55 or you qualify for another exception to the penalty tax. In addition, if you have an outstanding loan, you may be required to pay off the balance.

The rules that apply to the taxation of distribution from qualified retirement plans ("QRPs") are complicated, and can be different depending on age, the timing and form of the distribution, the existence of after-tax contributions, and other factors.

We strongly recommend that you consult with your tax and legal advisors before taking a distribution from any tax-qualified retirement account.

LEAVE YOUR ASSETS IN THE PLAN OR ROLL OVER TO A NEW PLAN OR IRA

You should consider the various factors and how they coincide with your priorities for your retirement plan assets. Please note, they are just examples of factors that may be relevant when analyzing your available options. Other considerations may apply to your specific situation, and the importance of any factor will depend upon your needs and circumstances.

EQUITY COMPENSATION CONSIDERATIONS

If you hold "employer securities" in your retirement plan, you may be eligible for favorable tax treatment if certain conditions apply. If you choose the special tax treatment for qualifying employer stock distributions, there are two tax benefits you may be eligible to receive:

1. At the time of the lump-sum distribution, there is no tax on the net unrealized appreciation ("NUA") of the employer stock. NUA is the difference between your cost basis in this stock (i.e., what you paid for the stock in the plan) and the fair market value of the stock on the date of distribution. The cost basis is taxed as ordinary income in the year the distribution is received unless you are eligible for 10-year forward income averaging tax treatment.

2. When you sell the employer stock, the sale is taxed as long-term capital gains on the NUA rather than ordinary income tax rates. Any appreciation in excess of the NUA will be taxed as either long-term or short-term capital gains, depending on how long you held the stock after distribution from the plan.

Factors to consider when evaluating your options

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|------------------------------------------------------------------------------|----------------------------------------------------------|
| 1. Investment options | 5. Penalty-free withdrawals |
| 2. Fees and expenses | 6. RMDs |
| 3. Services | 7. Borrowing privileges |
| 4. The tax treatment of employer stock if you hold such in your current plan | 8. Creditor protection in bankruptcy and legal judgments |

Comparing employer-sponsored qualified retirement plans (QRPs) to Individual Retirement Accounts (IRAs) based on your priorities¹

YOUR PRIORITIES	LEAVE YOUR ASSETS IN YOUR QRP OR ROLL TO A QRP OFFERED BY YOUR CURRENT EMPLOYER	ROLL YOUR ASSETS TO AN IRA
<input type="checkbox"/> Access to a dedicated Financial Advisor	You may have the ability to work with a Financial Advisor, but the services may be limited to your assets in your QRP.	Depending on the specific account type, access to a dedicated Financial Advisor may be available.
<input type="checkbox"/> Access to more comprehensive tools, services and investments	The tools, services and investments will be determined by the employer who oversees the plan.	IRAs may provide more comprehensive services and investments.
<input type="checkbox"/> Consolidating your assets with fewer providers	If your QRP allows you to roll over your retirement assets into the plan, you may be able to consolidate your assets in the QRP.	Rolling your assets to an IRA would allow you to consolidate your retirement assets with fewer providers.
<input type="checkbox"/> Taking a loan using your retirement plan assets	If the ability to take a loan is important, you should inquire as to whether loans are available in the plan offered by your current employer. Typically, new loans are not available after you terminate employment.	Not permitted
<input type="checkbox"/> Protecting your retirement plan assets from creditors ¹	Generally, QRP assets in plans covered by ERISA have unlimited protection from creditors under federal law.	IRA assets are protected in bankruptcy proceedings only under federal law. State laws vary in the protection of IRA assets in lawsuits.
<input type="checkbox"/> Incorporating your retirement plan assets into your tax and estate planning strategy	You may be able to accomplish basic strategies such as Roth contributions and conversions as well as delaying your required minimum distribution ("RMD") if you are still working. See below for important information regarding RMDs. The terms of your plan will determine whether these types of strategies are available.	You may be able to employ more complex strategies in addition to Roth contributions and conversions such as qualified charitable distributions.
<input type="checkbox"/> Having more flexibility to name beneficiaries	The terms of the plan will determine how much flexibility you have in naming beneficiaries. Your spouse will be considered your beneficiary unless they waive that right.	Generally, IRAs offer more flexibility with respect to your options in naming beneficiaries.
<input type="checkbox"/> Having more flexibility to withdraw your assets as needed	Subject to income taxes and potential penalty taxes. If you're still employed by the company sponsoring the plan, withdrawals may be allowed in certain situations, after reaching a stated age, adoption and more. However, some plans do not permit ad hoc withdrawals.	Withdrawals may be taken at any time but are subject to income taxes and potential penalty taxes.
<input type="checkbox"/> Penalty tax-free withdrawals from your QRP if you leave your job during or after the year you turn 55	If you leave your employer between ages 55-59½ the penalty tax for early withdrawals will not apply.	Not available



Consider the potential application of Required Minimum Distributions (RMDs)

You are required to begin taking distributions once you turn age 70½ (if born before July 1, 1949), age 72 (if born after June 30, 1949, but before 1951), age 73 (if born after 1950, but before 1960) or age 75 (for all other birth years — note, there appears to be a drafting error in the statutory language, making it unclear when age 75 starts to apply in lieu of age 73, but it appears it was intended to apply to individuals born after 1959) (collectively, “RMD Age”). However, there are some differences in the RMD rules between QRP and IRAs.²

- If you are still working for the employer that maintains the QRP when you turn RMD Age, and are less than a 5% owner, then you can delay taking your RMDs until you retire from working for that employer, unless the terms of the QRP require all participants to start taking RMDs at RMD Age.
- If you have a balance in more than one QRP, you must separately take your RMD from each QRP. You cannot satisfy your RMD for one QRP from another QRP or from an IRA.
- If you have more than one IRA, you must separately calculate your RMD for each IRA, but you may take the combined total RMD amount for all your IRAs (other than inherited IRAs) from any one or more of your IRAs (other than inherited IRAs and Roth IRAs). You cannot satisfy your RMD for your IRAs from a QRP.

A plan participant receiving an eligible rollover distribution from a QRP also has the option of rolling his or her retirement assets to a Roth IRA.

Rolling over to a Roth IRA requires that you pay taxes on your previous employer’s retirement plan when distributed, creating a taxable event, but it may allow an opportunity your account to potentially grow tax free, provided the withdrawals meet the definition of a qualified distribution.³

Designated Roth RMDs: SECURE 2.0 ends lifetime RMDs for designated Roth accounts under qualified retirement plans and IRAs while the owner is still alive, effective for taxable years beginning on or after January 1, 2024.

The decision about what to do with your retirement plan balance must take into account your total financial picture and current and potential future tax situation, including RMDs. Morgan Stanley does not provide tax or legal advice. To reach an informed decision, carefully consider your choices and consult your tax and legal advisors (a) before establishing a retirement account, and (b) regarding any potential tax; Employee Retirement Income Security Act of 1974, as amended (“ERISA”); and related consequences of any investments or other transactions made with respect to a retirement account.

Rolling Over Your Defined Benefit Plan Assets

There are additional factors you should consider when deciding whether to roll over your assets from a Defined Benefit (“DB”) plan. In a Defined Benefit plan, the employer offering the plan pays the fees and makes the investment decisions.

WHAT ARE MY DISTRIBUTION OPTIONS FROM A DB PLAN?

Typically, your DB plan will have a stated normal retirement age (NRA), which is when you will be eligible to receive your accrued balance. If you maintain the assets in the plan until the NRA, the plan must offer you the option to receive your benefits in the form of a life annuity, meaning you will be eligible to receive periodic payments that will continue for the remainder of your life. If you are married, the plan must offer you a Qualified Joint and Survivor Annuity. The plan may also permit you to take a lump-sum distribution if you are 59½ (even if still employed) if you have terminated employment or if your employer has decided to terminate the plan. Typically, when you are eligible to receive a distribution, you have the following four options with respect to the portion of your distribution that qualifies as an “eligible rollover distribution.” You may engage in a combination of these options depending on your employment status and the availability of the particular option.

1. **Take a distribution and pay the applicable taxes**
2. **Leave the assets in the plan and receive payments in the form of an annuity (on or after the stated NRA)**
3. **Roll over the assets to a new plan if you have changed jobs and your employer offers a plan that accepts rollovers**
4. **Roll over the assets to an IRA**

The rules that apply to the taxation of distributions from DB Qualified Retirement Plans are complicated, and can be different depending on age, the timing and form of the distribution, the existence of after-tax contributions, and other factors.

We can provide you with education regarding your options, but we will not make a recommendation as to whether or not you should roll over your account. We strongly recommend that you consult with your tax and legal advisors before taking a distribution from any tax-qualified retirement account.



¹ Generally speaking, employer-sponsored QRP assets in plans covered by ERISA are protected from creditors under federal law. IRA assets can be protected in bankruptcy under federal law (subject to certain exceptions, including a cap), and some state laws may also afford creditor protection to IRA assets. Please reach out to your legal advisors to discuss any concerns you have about the protection of your retirement assets and the application of federal or state law.

² The age at which an individual must start taking RMDs ("RMD Age") depends on the individual's date of birth. RMD Age is (a) age 70½ for individuals born before July 1, 1949; (b) age 72 for individuals born after June 30, 1949, but before 1951; (c) age 73 for individuals born after 1950, but before 1960; and (d) age 75 for all others. Note: An apparent drafting error in the statutory language in the SECURE 2.0 Act of 2022, which was signed into law on December 29, 2022, makes it unclear when age 75 starts to apply in lieu of age 73, but it appears age 75 is intended to apply if born after 1959.

³ A Roth distribution is considered a Qualified Distribution when the account is held for at least five years from the first Roth IRA contribution or rollover or if a new Roth IRA account or distributions made on account of disability, upon death, or attainment of age 59 1/2 https://www.irs.gov/publications/p590b#en_US_2023_publink100089627.

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