

Moving Money: Transfers, Rollovers, Exchanges and Distributions

The odds are good that at some point in your career, you will want (or need) to move money to, from, or out of your 403(b) plan. The destination may vary depending on your exact circumstances: you might be moving funds to the 403(b) of a new employer, to your own personal IRA, or even to an entirely new investment vehicle.

Such transactions might appear simple on paper, but it is important to remember that the tax sheltered status of your contributions can sometimes depend on your understanding of what is involved - YOU have a great deal of responsibility when it comes to moving your 403(b) assets!

An **Exchange** entails the transfer of funds from one 403(b) Service Provider to another under your current employer's plan. For example, if you have been investing with company XYZ, establish an account with company ABC, and choose to move the assets in account XYZ over to your new account, then you are almost certainly looking at performing an exchange. Typically, the funds moved in an exchange will not be subject to taxation, as they are never leaving the 403(b) "umbrella."

If you have recently changed employers, you are probably familiar with a Transfer from one 403(b) plan to another. Let's assume that you invested in a 403(b) for several years at your former employer. While it might be permissible to simply "leave" your plan assets where they are, many employees wish to move assets held under their

former employer's plan to their new plan; a transaction known as a Transfer. Like an exchange, funds that are rolled to a new plan are not typically subject to any taxation.

Similar to a transfer, a **Rollover Contribution** follows almost exactly the same process, except that the assets are coming in to your current employer's 403(b) plan from an outside plan type, such as an IRA. If you have previously worked in the for-profit field, or hold an IRA containing funds initially contributed under another employer's qualified plan, a Rollover is the transaction you will want to pursue to consolidate your assets under your current employer's 403(b).

A **Rollover Distribution** is quite similar to the transaction above, except that your funds are leaving your current/former employer's 403(b) plan and moving to another plan type, such as an IRA. While this type of transaction typically allows for your assets to remain tax sheltered, it is important to note that you must meet the IRS qualifications to remove funds from your 403(b) to pursue a Rollover Distribution.

As a general rule, most of the transactions described above typically allow for funds to remain under a tax sheltered umbrella, and free from any IRS early distribution penalties. Service providers may impose penalties for early withdrawal of funds however, OMNI recommends contacting your financial advisor or representative prior to moving or re-allocating any assets within your plan.

Lingo, Jargon, and Gobbledygook: a note on transactional terms

As if Transfers, Rollovers, and Exchanges were not complicated enough, the exact meaning of these terms can sometimes vary depending on who you ask! "When you are working with these types of transactions, it's important to bear in mind that you are often working with one or more companies who might have different terms for the same type of transaction, and that can cause a great deal of confusion" says OMNI Service Provider Team Member Erik Hyde. For this article, we have used the standard IRS terms for these transactions - but as a general rule, it is always wise to act based on what your transaction entails rather than what it is called.

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THE OMNIGROUP

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P3 - What it means to me

Early this month, OMNI announced the Preferred Provider Program (P3), a first of its kind initiative to help 403(b) plan sponsors pinpoint Service Providers who best meet their needs. While P3 concerns mainly your employer, you might notice a few changes to your vendor list in 2012 as a result of P3.

In keeping with our belief that "knowledge is power," we wanted to take this opportunity to answer some of the most frequently asked questions concerning P3.

What is P3?

In its simplest form, P3 is a means of highlighting specific Service Providers which meet certain key standards which have been deemed highly desirable by an independent committee of 403(b) plan sponsors.

Where did P3 Come From?

P3 had its genesis as an initiative that brought together an advisory committee of plan sponsor from across New York State. The committee identified key criteria for service providers that were of paramount importance to both plan sponsors and participants. A Request For Information (RFI) was issued to all Service Providers with an Information Sharing Agreement (ISA) in place with OMNI. The responses to each RFI enabled committee members to pinpoint specific 403(b) service providers that met or exceeded their criteria.

What Criteria Were Used?

A myriad of criteria were evaluated by the committee, including the size of the provider, total assets, pending litigation, client references, willingness to assume costs associated with plan administration, transaction turn around time, web site security, complaint resolution, agent training, and many many more.

Where can I see a list of P3 providers?

The most up-to-date list can be found on OMNI's web site at www.omni403b.com.

My current Service Provider is not part of the P3 program - does this mean that I cannot contribute to them?

Not necessarily. Employers will be choosing to opt in to P3 on an individual basis. If your employer chooses to participate in the program, "non-P3" accounts may be grandfathered to allow for ongoing contributions at the employers option.

It is also important to note that vendors may request to be (re)evaluated for participation in the program at any time.

Does this mean that OMNI is no longer an independent TPA?

No. P3 is designed to highlight vendors selected by the independent advisory committee of plan sponsors, using criteria they defined. The committee itself was chaired by Barbara A. Healy, Consultant. Barbara holds an MBA degree in finance; a CFP® designation; a Certified Funds Specialist designation; a Chartered Mutual Fund Specialist designation; a Certified Retirement Administrator designation; and a Master Retirement Plan Administrator designation. Barbara is a well known advocate for employees and plan sponsors in the 403(b) industry having over 30 years of experience in her role as a consultant and in her past service as Vice President at Great West Life & Annuity and Nationwide Retirement Solutions.

What can I do to find out more about P3?

As we move into 2012, employers will begin deciding whether to opt in to the program. For the most up to date information, visit OMNI's web site at www.omni403b.com or contact our Customer Care Team at 877-544-6664.

411 For your 403(b)

IRS announces 2012 Contribution limit Increase

The IRS has recently announced the 2012 Maximum Allowable Contribution (MAC) limits, including several significant changes from previous limits, which were unchanged since 2009.

The elective deferral limit for 403(b)/457 plans has increased to \$17,000 (from a previous limit of \$16,500). All catch up extensions will remain unchanged in 2012. Employees age 50 and over will be entitled to contribute an additional \$5,500 to their 403(b) or 457 plan(s) thereby increasing the elective deferral limit to \$22,500. Individuals with at least 15 years of service with their current employer may be entitled to contribute up to an additional \$3,000 above their age-based limit, potentially increasing the limit to \$25,500 for a participant utilizing both the age based and the full amount of the service based catch-up provisions.

If you have any questions concerning the 2012 contribution limits, or any other 403(b)/457 concern, please contact OMNI at 877-544-6664.

Extra Credit at 403bwhyme.com!

If you have been reading the OMNI Observer throughout 2011, you have hopefully learned a great deal about the inner workings of your employer's 403(b) plan. If you would like to find out more, please visit our NEW educational web site: www.403bwhyme.com for an exciting video presentation that gives you even more in-depth knowledge!

Holiday Hours

The OMNI Group will be closed on Monday December 26 and Friday December 30 in observance of the Christmas and New Year's holidays. At all other times, our Customer Care Team is available at 877-544-6664 (OMNI) between 7:30 A:M and 5:00 PM EST.

