

Charles Schwab Trust Bank

Automatic Rollover IRA

A smart solution for nonresponsive retirement plan participants and for terminating plans

Every retirement plan occasionally has participants with balances less than \$7,000 who leave behind their savings in the plan. There are even instances when an entire benefit plan is terminated, such as when a business closes or merges with another company.

In situations like these, plan sponsors need solutions to preserve participant savings by rolling over account balances into a Traditional or Roth Individual Retirement Account (IRA).

Automatic rollover of mandatory distributions

The rules for distributions from active and terminating plans of vested retirement account balances have been around for some time. So has the requirement for automatic rollovers into an IRA to preserve a former employee's retirement savings and the savings of participants in terminating plans.

Charles Schwab Trust Bank offers you a helpful solution to accept funds from either type of plan distribution with no minimum balance requirement.

The Charles Schwab Trust Bank IRA automatic rollover solution

You'll appreciate this convenient, FDIC-insured way to process terminated plan participant account distributions.¹ And for unresponsive former employees with eligible account balances, the Charles Schwab Trust Bank IRA solution also meets the Department of Labor's safe harbor regulations for automatic rollovers.² Additionally, based on the tax status of the participant's contributions, you can designate a Charles Schwab Trust Bank Traditional IRA and/or Roth IRA to receive distributions.

A win-win-win solution

The Charles Schwab Trust Bank IRA solution is a win-win-win for everyone. Here's why.

Independent recordkeepers can expand service levels to help deepen client relationships and grow their business. The Charles Schwab Trust Bank Automatic Rollover IRA:

- Expands options that plan recordkeepers can provide to plan sponsors for managing the plan account balances of former employees.
- Does not require you to create a new process or integrate with new systems.
- Enhances your level of client service without incurring distribution or setup fees.

A win-win-win solution

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Plan sponsors can confidently comply with Department of Labor safe harbor regulations for automatic rollovers by establishing and funding a new retirement account for former employees.² The Charles Schwab Trust Bank Automatic Rollover IRA:

- Allows plan sponsors provide an FDIC-insured account for participant balances.
- Provides a streamlined appointment of Charles Schwab Trust Bank as the preferred terminated plan provider.
- Reduces plan administration costs.
- Enables you to close a terminating plan simply and efficiently.

Plan participants avoid cashing out funds they set aside for retirement. It also helps maintain the tax-deferred status of their savings when their account balance is rolled over automatically into an IRA. The Charles Schwab Trust Bank Automatic Rollover IRA:

- Preserves participant retirement savings in a tax-deferred, FDIC-insured bank deposit account.³
- Provides automated setup and maintenance of retirement plan monies.
- Offers flexible choices for participants and beneficiaries, including the ability to convert a Traditional IRA into a Roth IRA or to transfer money into a new employer's plan at a later date, if the new employer allows.
- Annual fee of \$35 applies; fee is prorated and assessed quarterly.

Questions?

To learn more about the Charles Schwab Trust Bank Automatic Rollover IRA, contact your client service manager at **877-319-2782** or visit **[schwabretirementcenter.com](https://www.schwabretirementcenter.com)**

For institutional audiences only.

1. Whether or not the balances for any participant can be rolled over to the Charles Schwab Trust Bank IRA is dependent upon the specific terms of the plan document, as the document must have a mandatory distribution provision (that generally contains specific balance ranges for automatic rollovers). A retirement plan that has a mandatory distribution (force-out) provision but does not yet include an automatic rollover provision must adopt an amendment incorporating automatic rollovers. Preapproved plans may be amended to incorporate the automatic rollover rules, to reduce the mandatory distribution limit, or to eliminate the mandatory distribution provision.
2. Guidance issued by the Department of Labor and the Internal Revenue Service on Section 657(c) of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) establishes a safe harbor for retirement plan fiduciaries rolling over mandatory distributions of small-balance accounts.
3. FDIC Coverage: Rollover funds in the Charles Schwab Trust Bank Automatic Rollover IRA are deposited in a Federal Deposit Insurance Corporation (FDIC) insured money market deposit account at Charles Schwab Trust Bank. Subject to the satisfaction of certain conditions, funds deposited at Charles Schwab Trust Bank are eligible for Federal Deposit Insurance Corporation (FDIC) Insurance. Participants are responsible for monitoring the total amount of deposits they hold with Charles Schwab Trust Bank, either directly or through an intermediary such as Charles Schwab & Co., Inc., in order to determine the extent of FDIC coverage available to them. Because the deposit insurance rules are complex, Participants may want to use the FDIC's online tool Electronic Deposit Insurance Estimator (www.fdic.gov/edie) to estimate their total coverage.