





Continued from page 2

(and any earnings on those rolled over assets) are to be disregarded in determining the employee's nonforfeitable accrued benefit. Thus, you may be able to cash out and roll over accounts greater than \$5,000. Note that rolled over amounts are included in determining whether a former employee's accrued benefit is greater than \$1,000 for purposes of the automatic rollover requirement.

### What requirements do we have to meet when rolling over a small account?

To fulfill your fiduciary duties as a plan sponsor, the following requirements must be met:

- The rollover must be a direct transfer to an IRA set up in the former employee's name.
- The IRA provider must be a state or federally regulated financial institution, such as an FDIC-insured bank or savings association or an FICUA-insured credit union; an insurance company whose products are protected by a state guaranty association; or a mutual fund company.
- You must have a written agreement with the IRA provider that addresses appropriate account investments and fees.
- The IRA provider cannot charge higher fees than would be charged for a comparable rollover IRA.
- The investments chosen for the IRA must be designed to preserve principal and provide a reasonable rate of return and liquidity. Examples include money market mutual funds, interest-bearing savings accounts, certificates of deposit, and stable value products.

### Do we have to provide disclosures?

Yes. Before you cash out an account, you must notify the former employee in writing, either separately or as part of a rollover notice, that, unless the employee makes an affirmative election to receive a distribution of his or her account assets or rolls them over to another account, the distribution will be paid to an IRA. As long as you send the notice to the former employee's last known mailing address, the notice requirement generally will be considered satisfied. In addition, you must include a description of the plan's automatic rollover provisions for mandatory distributions in the plan's summary plan description (SPD) or summary of material modifications (SMM).



**Wealth  
Management**

250 Nicollet Mall | Minneapolis, MN 55401

The articles and opinions expressed in this advertisement, prepared by Newkirk Products, Inc., are those of the author and are not necessarily the same as those of RBC Wealth Management. RBC Wealth Management did not assist in the preparation of the material and makes no guarantee as to its accuracy or reliability or the sources used in its preparation. Please note that RBC Wealth Management does not act as administrator or record keeper for 401(k) plans or any other defined contribution plan. The material contained herein is for informational purposes only and does not constitute tax or legal advice. Plan sponsors and investors should consult with their own tax advisors or attorneys with regard to their personal tax and legal situations.

Because of the possibility of human or mechanical error by SS&C or its sources, neither SS&C nor its sources guarantees the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. In no event shall SS&C be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of the content.

© 2022 SS&C. Reproduction in whole or in part prohibited, except by permission. All rights reserved. Not responsible for any errors or omissions.

© 2022 RBC Wealth Management, a division of RBC Capital Markets, LLC, registered investment adviser and Member NYSE/FINRA/SIPC.

All rights reserved.

22-20-01584\_20181 (06/22)