

Key Considerations Regarding Your Qualified Retirement Plan (QRP) Distribution

A Qualified Retirement Plan (QRP) is an employer sponsored retirement plan (e.g., 401(k), 403(b), Government 457(b), Defined Benefit, Trustee Directed Profit Sharing, Pension, etc.).

- DISTRIBUTION OPTIONS - Generally, you have four options for your existing QRP assets, each of which has advantages and disadvantages and the option that is best is based on your individual circumstances:
 - Roll over your assets into an IRA
 - Leave your assets in your employer's plan (if allowed by the plan)
 - Move your assets directly to your new employer's plan (if allowed by the plan)
 - Take a distribution directly from your employer plan and pay any associated taxes and penalties
- We have a conflict of interest in connection with a rollover of your assets into an IRA and the investment of those assets with us as opposed to leaving the assets in your existing employer's QRP or electing one of the other options above. The conflict arises because we will likely earn no compensation if you were to leave the assets in your existing employer's QRP or transfer assets to your new employer's QRP.
- FEES AND EXPENSES - Maintaining and investing assets in an IRA with Hodges Capital Management generally involves higher costs than your other options in a QRP.
- Both QRPs and IRAs typically include investment-related expenses (such as sales loads, commissions, expenses of any mutual funds in which assets are invested, and investment advisory fees) and plan or account fees (such as administrative, account set-up, custodial, and access to a customer service representative).
- These fees and expenses will reduce the value of your account and return on your investment, and over time, these costs can have a significant impact on your retirement savings.
- It is your obligation to review and carefully evaluate the specific plan features, including the fees and expenses. Investing and maintaining assets in an IRA will typically involve higher costs than those associated with an employer-sponsored qualified retirement plan. . In the case of an advisory relationship with Hodges Capital Management, you will be subject to advisory fees, ticket charges and other annual expenses related to the products within the advisory program. These fees and expenses are in addition to Hodges Capital Management's annual operational fees, such as household fees, custodial fees, minimum balance fees and account termination fees.
- INVESTMENT ADVICE AND SERVICES - Some QRPs provide access to investment advice, planning tools, telephone help lines, educational materials, and workshops. Your Financial Advisor provides personalized investment advice within an IRA and may also provide retirement, estate, and beneficiary planning as well as an investment plan. You should evaluate whether the value of the advice is important enough to you to warrant the additional costs that arise in an IRA advised by a Financial Advisor.

- **INVESTMENT CHOICES** - In general, IRAs provide access to a broader range of investment choices when compared to investment options within employer-sponsored QRPs. There are no guarantees that the broader investment choices will result in IRAs outperforming an employer sponsored QRP.
- **CONSOLIDATION OF RETIREMENT ASSETS** - IRAs can typically be consolidated into one account or consolidated at one financial institution. Likewise, if you have a QRP that permits assets from former QRP or IRA(s) to be rolled into your current QRP, it may be advantageous for you to consolidate your retirement assets in one qualified retirement plan. Consolidating assets may allow you to have combined household statements, which could make managing your finances easier.
- **PROTECTION FROM CREDITORS AND LEGAL JUDGMENTS**- QRPs generally have greater bankruptcy and creditor protection. Traditional and Roth IRA contributions and earnings are protected from creditors in federal bankruptcy proceedings up to a maximum limit that is adjusted periodically for inflation, but are subject to state creditor laws regarding malpractice, divorce, creditors outside of bankruptcy, and other types of lawsuits.

Conversely, QRP assets usually have unlimited protection from creditors under federal law. Do not roll your retirement assets to an IRA if you are concerned with credit protection. You should seek legal advice with respect to this issue and how it may impact your individual circumstances.

- **NET UNREALIZED APPRECIATION** - There may be negative tax consequences of rolling company stock held in a QRP to an IRA or new employer's QRP. Net unrealized appreciation (NUA) is the difference between the price you paid (cost basis) and the stock's current increased price. NUA of employer securities received as part of an eligible lump-sum distribution from an employer retirement plan qualifies for capital gain tax. If company stock is rolled into an IRA or another QRP, NUA is lost (i.e., you will pay ordinary income tax instead of long-term capital gains when the stock is distributed from an IRA or new QRP). NUA and the decisions surrounding employer securities in a QRP are complex, consult your tax advisor or accountant for more details regarding your specific circumstances.
- **IN-SERVICE DISTRIBUTIONS** - Some QRPs allow participants to take a distribution or roll over to an IRA all or a portion of their QRP assets while still employed. This plan feature is known as in-service distributions and allows you to manage your retirement savings. In-service distributions may be limited based on age and contribution sources within a QRP. You may be charged a fee for the distribution and you may be restricted from receiving a company match, making contributions for a certain period of time, or even receiving a bonus. In-service distributions may not be suitable for all investors and may be subject to certain criteria such as minimum age or years of service requirements. Speak with your QRP administrator for more information.
- **RULE OF 55** - If you turn age 55 or older in the year you leave the company (age 50 or older for certain public safety employees), you may be able to take distributions from that employer's QRP and avoid the 10% IRS tax penalty on early distributions. In IRAs, penalty-free withdrawals generally are not available until age 59 1/2.
- **BORROWING FROM RETIREMENT FUNDS** - QRPs typically allow you to borrow from your plan assets, while loans are not permitted from your IRA. Outstanding loan balances in your QRP generally requires repayment or may result in tax consequences if not repaid when you leave your employer or take an in-service distribution. If you anticipate borrowing needs, you should not roll your retirement assets to an IRA.

- **REQUIRED MINIMUM DISTRIBUTION ("RMD")** - RMDs generally begin April 1 following the year you attain RMD age and annually thereafter for both former QRPs and Traditional, SEP, and SIMPLE IRAs. If you are still employed when you attain RMD age or plan to work in your seventies, you may not be required to take RMDs from that QRP (as long as the plan allows, and you are not a 5% or more owner of the company). If you plan to take advantage of delaying your RMDs to continue with the tax deferral benefit, you should not roll your QRP assets to an IRA. While Roth IRA owners have no RMD requirements, QRP designated Roth accounts do have RMDs. Unlike IRAs, aggregation of RMDs is not allowed for QRPs.
- **CONTRIBUTION TYPES** - Contribution types may have different rollover options and/or tax implications and are an important consideration regarding your rollover decision. The total balance of your plan may consist of contributions that are categorized in one or more of the following contribution types: 1) Before tax contributions, which will become taxable if not rolled into another eligible QRP Traditional IRA 2) After tax contributions, which can be rolled into a Traditional IRA (pro-rata rules apply for distributions from Traditional, SEP and SIMPLE IRAs) or a Roth IRA where no tax will be due on the distribution of those contributions, and 3) QRP designated Roth account contributions, which may only be rolled into a Roth IRA or directly rolled to a designated Roth account in another QRP. Please refer to your Participant Statement or check with the plan sponsor for more details.