

# MANAGING YOUR ESOP DISTRIBUTION.

Congratulations! Your efforts have helped make Glatfelter Insurance a successful company. Now that you're coming into your ESOP (Employee Stock Ownership Plan) benefits, you'll want to evaluate how this opportunity will impact your financial goals and your life plans. Here are 4 important steps to consider as you decide how to manage your funds.

## 4 KEY STEPS:

STEP

1

### EVALUATE YOUR NEW FINANCIAL POSITION

A change in your financial situation means it's time to ask yourself some important questions. How financially comfortable are you? Have you already hit your "number?" What are your family's future financial and life plans? Together, we can help you find the right answers. ▶

STEP

2

### EXPLORE YOUR DISTRIBUTION OPTIONS

Distributions can lead to a variety of complex tax situations. You'll need to give direction on where the first installment of your proceeds should be sent. We'll help you explore your choices and provide insight on important things to consider. ▶

STEP

3

### SELECT AN INVESTMENT STRATEGY

Whether you move your proceeds into a Rollover IRA or a 401(k), it's important to create an investment strategy personally tailored to your goals and objectives. You'll discover the four components that make up your investment strategy and what questions will help drive that strategy. ▶

STEP

4

### CHOOSE A FINANCIAL ADVISOR

Increased wealth also means a broader range of financial options and complexities. The right financial advisor with an unbiased approach can make a difference on how well your money is managed. Working collaboratively with your advisor ensures that your needs and goals are front and center of any plan. ▶



FULTON FINANCIAL ADVISORS™



STEP

1

## EVALUATE YOUR NEW FINANCIAL POSITION

Sudden changes to your financial position can strongly impact your financial and life goals. Your first impulse, for instance, may be to change your retirement plans - but that may not be your best choice.

There are serious tax consequences to your distribution so any spending decision you make must give strong consideration to the income tax impact. If you are under age 59, it is very likely that it would be financially unwise to "spend" any of your ESOP proceeds now.

Your assets will need to last for the long run, so you'll want to consider your future needs, not just short-term goals. Important considerations include: your age, your access to Social Security and how much you can withdrawal from your investments. A good rule of thumb is to plan on an annual 4% distribution from your retirement accounts to fund your living expenses in retirement.

Financial models indicate that a 4% distribution is likely to be sustained indefinitely while keeping your annual income and your nest egg on pace with inflation. If that level of distribution isn't enough to meet your cash flow needs, you may not want to call it quits just yet.

### QUESTIONS TO ASK BEFORE YOU MAKE ANY MAJOR LIFE DECISIONS.

- Do you have outstanding debt that you'd like to pay off?
- What are your current income needs?
- Do you plan to pay for your children's education?
- Are you planning to buy a first or second home?
- Are you considering giving to loved ones or a favorite charity?
- Are there ways to minimize any upcoming income and estate taxes?



#### ADVISOR INSIGHT:

"A good rule of thumb is to plan on an annual 4% distribution from your retirement account to fund living expenses in retirement."

- LORI BRODBECK  
Clermont Wealth Strategies  
York, PA

## EXPLORE YOUR DISTRIBUTION OPTIONS

You will need to give direction on where each installment of your proceeds should be sent.

### YOU HAVE TWO OPTIONS:

- 1. Direct Distribution to a taxable account.** You will pay income taxes on any payment from the plan that does not go into a rollover IRA or 401k plan. If you're under age 59 ½, you will also pay a 10% excise tax on these distributions. The ESOP Trustee will be required to withhold 20% of your distribution for taxes but it is likely that your ultimate tax bill will be greater than that. Because of these immediate costs, the vast majority of our clients do not select this option.
- 2. Rollover to another Tax Deferred Account (IRA or 401k).** You may roll over the ESOP payment to a Rollover IRA or a 401(k) plan that will accept the rollover without triggering income taxes or the excise tax that applies if you're under 59 ½ years old. If you choose to do a direct rollover, the ESOP plan will make the payment directly to your IRA or 401k and there will be no withholding, so 100% of your proceeds can be reinvested.

### ASSET LOCATION: What is the best vehicle for your holdings?

Options	Pros	Cons
<b>Rollover IRA</b>	<ul style="list-style-type: none"> <li>• Money continues to grow tax-deferred</li> <li>• Provides for maximum investment flexibility (including the potential for more selection)</li> <li>• Access to a very wide array of investment options including stocks, bonds, mutual funds, ETF's, and even some real estate</li> <li>• Flexible beneficiary designations and distribution options</li> <li>• You may be able to use your IRA as a source for charitable contributions if you are over age 70, thereby avoiding the income tax that would otherwise be paid if the assets were distributed to you</li> <li>• First-time home buyers and those paying higher education expenses may be able to take penalty-free withdrawals from an IRA;</li> <li>• You retain the ability to transfer your funds back into your firm's 401(k) plan in the future</li> </ul>	<ul style="list-style-type: none"> <li>• No loans or age-55 retirement-distribution provisions</li> <li>• Outstanding loan on a 401k plan must be prepaid before rolling over to an IRA</li> <li>• Potential for higher costs and fees than employer sponsored plans</li> <li>• IRA assets have limited protections from creditors</li> </ul>
<b>Rollover 401K</b>	<ul style="list-style-type: none"> <li>• Money continues to grow tax-deferred</li> <li>• Glatfelter 401(k) plan currently permits investment in 24 mutual funds predominantly from Vanguard, Transamerica, and T. Rowe Price</li> <li>• May be eligible for penalty-free withdrawals if client retires at or after age 55</li> <li>• Potential for full protection from creditors under federal law</li> <li>• May have lower fees and expense ratios</li> </ul>	<ul style="list-style-type: none"> <li>• 401(k) plans provide limited investment choices compared to IRA's</li> <li>• If you transfer your funds to a 401(k) you are normally required to keep the funds with the plan until you reach 59 ½ or you leave the company</li> <li>• Non-spouse beneficiaries generally required to take lump-sum distribution</li> <li>• May have restrictions on trading and additional fees</li> <li>• No exemptions for early penalty-free withdrawals for first time home buyers or educational expenses</li> </ul>

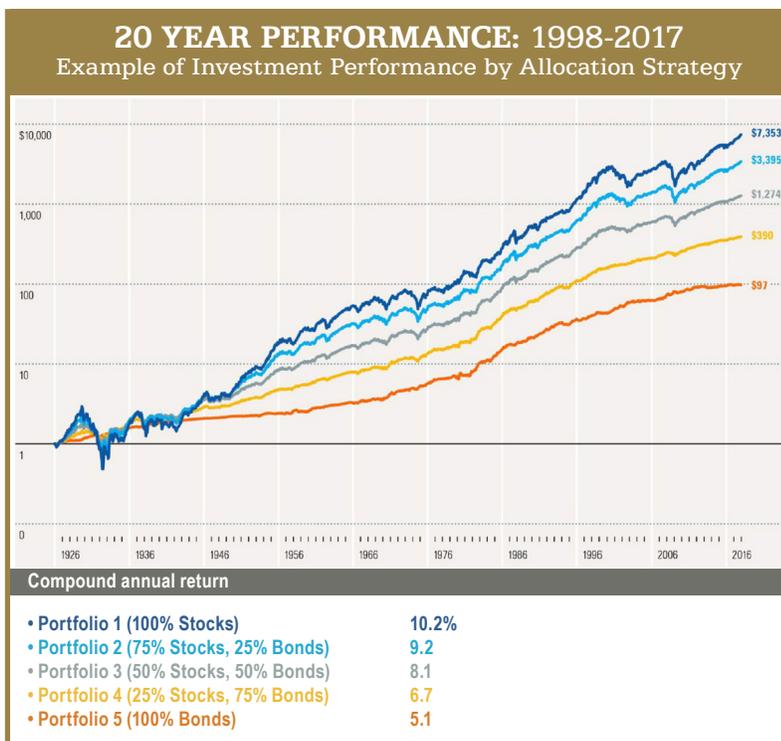
STEP

3

## SELECT AN INVESTMENT STRATEGY

Whether you roll your proceeds into a Rollover IRA or your 401(k), you'll need to develop an investment plan for the account. Every investment plan should be a personal expression of the goals you have selected based on your own objectives.

Your investment plan should consider your age, your risk tolerance, your expected timeline for retirement, your charitable plans, and any other cash flow requirements you anticipate.



### TYPICALLY AN INVESTMENT STRATEGY IS MADE UP OF FOUR COMPONENTS:

- **Asset Location** – What kind of account will you hold your assets in? Rollover IRA, 401(k)?
- **Income Needs** – Will you need income from your portfolio to maintain your lifestyle? How much income will you need?
- **Risk Tolerance** – A critical question is how much risk can an individual feel comfortable with? All investments have some kind of risk associated with it. Understanding those risks and balancing them appropriately is a fundamental benefit of building an appropriate investment strategy
- **Asset Allocation** – Every investment plan should provide an appropriate balance of stocks, bonds and cash to provide a client with a suitable return while balancing risk tolerances, income needs, and overall goals



#### ADVISOR INSIGHT:

“Every investment plan should be a personal expression of the goals you’ve selected based on your objectives.”

- JESSICA MALONE  
Fulton Private Banking  
York, PA

STEP

4

## CHOOSE A FINANCIAL ADVISOR

One of the most important decisions you'll make when considering how to move forward with your ESOP distribution, is who will help guide you through the financial complexities and help you define your short-term and long-term goals.

How do you decide? It begins with trust. You need an advisor that's puts your interests first. A professional dedicated to understanding you, your unique needs, your circumstances, your feelings toward wealth, and your priorities – and consistently delivering in a way that exceeds your expectations.

Fulton Financial Advisors is comprised of experienced financial and wealth advisors focused on the many stages in your life. From providing individualized advice on retirement, education funding or wealth accumulation, we help create or refine your strategy. We work to help you identify your critical goals and customize an investment plan to help you achieve them.

### MEET OUR YORK TEAM



#### Jessica Malone

Fulton Private Banking

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We welcome the opportunity to help you to make the right decision for you and your family. Let's start the conversation with one of our York team members. To learn more, please call Jessica Malone or one of our advisors below:

#### Fulton Financial Advisors

From providing individualized advice on retirement, education funding or wealth accumulation, we help create or refine your strategy. Our objective is to help you identify your critical goals and customize an investment plan to help you achieve them.



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#### Clermont Wealth Strategies

Our wealth advisors specialize in working with individuals and families with complex needs, providing team-based comprehensive wealth advice, such as tax, estate and charitable planning, investment management, and fiduciary services.



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## ABOUT US

We manage over \$11 billion in investments for clients in Central Pennsylvania and throughout our 5 state footprint and nearly half of those assets are in Rollover IRA or 401(k) accounts. Our Financial Advisors and Wealth Advisors are trained and equipped to help investors navigate transactions like the one you're experiencing. You can be confident that our expertise and experience will ensure that your family receives the advice and peace of mind that it needs to succeed.

Headquartered locally, we share the same values of service and trust that has made Glatfelter Insurance such a valuable company. We recognize each family is distinct and we align our expertise around supporting you and your family on the journey through integrated wealth management. We also put a premium on privacy and confidentiality – our culture is built around protecting the information that our clients share with us, ensuring that the details of their finances and their goals and objectives remain private.



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