



# Distributions Due to Divorce (QDRO)



## OPPORTUNITY CONCEPT

- » It happens. Employees with retirement assets held in employer sponsored qualified plans may be ordered to split the account by percentage or dollar amount, into an account for their ex-spouse.
- » Employers do not often wish to retain retirement accounts for an employee's ex-spouse, and will typically provide for distribution of the ex-spouse's account.
- » Under a legal order, or a Qualified Domestic Relations Order (QDRO), ex-spouses may rollover and/or request a withdrawal without penalty.



## IDEAL CUSTOMER

- » An ex-spouse, or soon to be ex-spouse, of an employee under legal order to split his or her employer retirement plan account, and with those funds create an account for the ex-spouse.



## DESCRIPTION

- » Availability for a QDRO Distribution must have a legal order provided to the employer retirement plan.
- » They do not have to offer distribution, nor are they consistently offered at any given age or tenure, but many employers do not wish to retain accounts in their plan for ex-spouse of their employees. Likewise, most clients do not wish to engage in a relationship with their ex-spouse's employer for service of their retirement account.
- » We encourage clients to contact the employer plan administrator to verify they have the ability to take distribution of their account following an account established in their name. The employer should provide a disclosure within 30 days of receiving a QDRO providing options available to the ex-spouse. This exception is only for withdrawals from the Employer Plan account and does not transfer to a new IRA.



## IMPLEMENTATION PLAN

- » Once availability for rollover is determined, this can be completed similar to any other rollover, without effecting an early withdrawal penalty.
- » However, prior to rollover, the ex-spouse will usually have the opportunity to take withdrawals from the employer plan account without the early withdrawal penalty. This exception is only for withdrawals from the employer plan account and does not apply to withdrawals from a new IRA.
- » Considerations to take into account;
  1. Does the ex-spouse wish to withdraw any funds? If so, (s)he must distribute from the employer plan account prior to rollover to an IRA in order to avoid an early withdrawal penalty on any taxable distribution. Distributions under a QDRO are an exception to the 10% penalty if taken from the named employer plan account.
  2. Are future withdrawals expected before ex-spouse turns 59½? If so, it is advised to leave behind funds that may possibly be needed for withdrawal without penalty under the QDRO exception.



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We provide annuity strategies for different needs of clients retirement phases – accumulation, income and legacy.



### TIPS FROM NEW BUSINESS:

#### For balances available for rollover complete:

- » Application and related paperwork – signed by receiving spouse
- » Transfer/Direct Rollover Request form signed by current owner (not receiving spouse)
- » Submit a copy of legal order, divorce decree, or QDRO directing the action

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