

**KADES-MARGOLIS**



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## **Changes to 90-24 Transfers Effective September 24, 2007**

Under the new IRS 403(b) regulations, participants that exchange their 403(b) account to another 403(b) account may be “at risk” if the employer’s plan document does not permit exchanges, and if the vendor receiving the assets does not enter into an information sharing agreement with the employer. “At risk” means that the entire value of the participant’s exchange may become fully taxable, including any applicable IRS imposed penalties. As per the IRS, the risk for any exchanges during the interim period falls completely on the participant.

There are currently some vendors, including Kades-Margolis Corporation, that are working with employers to enter into information sharing agreements as soon as possible. If you are planning to make an exchange to your 403(b) account, you should verify with the receiving vendor that they have entered into such an agreement with your employer. Please note that the IRS has stated that the employer may enter into such agreements at any time prior to January 1, 2009 and retroactively permit the exchange by allowing it the plan document.

Transfers taking place prior to September 25, 2007 will be “grandfathered” from the new regulations and will be evaluated based on their compliance with current rules.

### ***Other Issues Regarding Transfers***

The regulations state that the value of the “accumulated benefit” is not less after a transfer or exchange than prior to that action. While account surrender fees are acceptable, transfer or exchange fees are not. In addition, the recipient contract must have distribution restrictions at least as restrictive as the sending contract.

For more information please contact our Employer Plans Department at (800) 433-1828, ext 3.

