

TAX RULES FOR RETIREMENT DISTRIBUTIONS

General tax provisions (see notes to the right) and age-specific provisions (chart) must be considered prior to preparing a retirement income distribution plan.



| | AGE RANGE | | | | |
|-----------------------------------|--|---|--|---|---|
| | <55 | 55 TO 59½ | 59½ TO 62 | 62 TO 73* | 73* |
| ① Traditional IRA, SEP IRA | 72(t) substantially equal periodic payments (See notes at right) | 72(t) substantially equal periodic payments (See notes) | Take distributions as desired without penalty | Take distributions as desired without penalty | Required minimum distribution; 25% penalty if not taken** |
| ① 401(k) | <ul style="list-style-type: none"> • Separation from service (See notes at right) • 72(t) substantially equal periodic payments (See notes at right) | <ul style="list-style-type: none"> • Separation from service (See notes) • 72(t) substantially equal periodic payments (See notes) | <ul style="list-style-type: none"> • Separation from service (See notes) • In-service distribution if plan permits (See notes) | <ul style="list-style-type: none"> • Separation from service (See notes) • In-service distribution if plan permits (See notes) | Required minimum distribution if no longer employed; 25% penalty if not taken** Effective 2024, RMDs are not required during owner's life for Roth 401k accounts. |
| ① SIMPLE IRA | Distributions made within two years of opening account are subject to a 25% penalty if individual is under age 59½, unless an exception applies. Once two-year holding period is reached, same rules apply as for traditional and SEP IRAs. • 72(t) substantially equal periodic payments (See notes at right) | Distributions made within two years of opening account are subject to a 25% penalty if individual is under age 59½, unless an exception applies. Once two-year holding period is reached, same rules apply as for traditional and SEP IRAs. • 72(t) substantially equal periodic payments (See notes) | Take distributions as desired | Take distributions as desired | Required minimum distribution; 25% penalty if not taken** |
| ② Nonqualified and taxable assets | May withdraw at any time | May withdraw at any time | May withdraw at any time | May withdraw at any time | May withdraw at any time |
| ③ Social Security | Not available unless disabled and unable to work | Not available unless disabled and unable to work | Not available unless disabled and unable to work | <ul style="list-style-type: none"> • Minimum retirement benefit available at age 62 • Full retirement benefits available from age 66 to 67, depending on year of birth*** • Maximum retirement benefit capped at age 70 <p>***Full Retirement Age (FRA) is 66 for anyone born 1943 to 1954. It increases by two months for every year from 1955 to 1959. FRA is age 67 for anyone born in 1960 or later.</p> | N/A |
| ④ Roth IRA | <ul style="list-style-type: none"> • Contributions may be withdrawn without tax or penalty • Earnings withdrawn are subject to tax unless it is a Qualified Distribution and are subject to penalty unless an exception applies • Withdrawals of amounts converted from a traditional IRA are subject to penalty for first 5 years • 72(t) substantially equal periodic payments (See notes at right) | <ul style="list-style-type: none"> • Contributions may be withdrawn without tax or penalty • Earnings withdrawn are subject to tax unless it is a Qualified Distribution and are subject to penalty unless an exception applies • Withdrawals of amounts converted from a traditional IRA are subject to penalty for first 5 years • 72(t) substantially equal periodic payments (See notes) | Tax free once five-year holding period is completed | Tax free once five-year holding period is completed | Tax free once five-year holding period is completed RMDs are not required during owner's life. *Under the "Setting Every Community Up for Retirement Enhancement Act" of 2019, as revised in 2022 ("the SECURE Act 2.0"), the required beginning date of RMDs is raised from age 72 to 73 for any person who attains age 72 after December 31, 2022. There is no change to RMDs for people who turned age 72 prior to January 1, 2023. **In 2023, the SECURE Act 2.0 reduces the IRS penalty for taking out less than your full RMD from 50% of the underpayment to 25% (10% if corrected in a timely manner). You should consult your investment professional or tax advisor about your specific situation. |

Source: IRS.gov.

EXPANDED NOTES ON DISTRIBUTION

General tax provisions

- ① Distributions representing pretax contributions, tax deductible contributions and tax-deferred earnings are taxed as ordinary income.
- ② Capital gains, dividends and interest income are taxable. Long-term capital gains and dividends are typically taxed at a lower rate than ordinary income.
- ③ 50% to 85% of Social Security benefits may be taxable, depending on the individual's combined income and tax filing status.
- ④ "Qualified Distributions" of earnings are tax free. To be qualified, the distribution must be made at least five years after a Roth is established and must be for a qualified reason (death, disability, attainment of age 59½ or first-time home purchase).

72(t) substantially equal periodic payments

Individuals who are under age 59½ may make penalty-free withdrawals under IRC 72(t). The individual must receive substantially equal periodic payments at least annually and must continue for at least five years or until age 59½, whichever is later. The individual may choose one of three standard formulas to calculate the withdrawal amount: life expectancy, annuity or amortization. Once a formula is chosen, the individual will use it as long as withdrawals continue, with one exception: If the individual initially chooses the amortization or annuity formula and decides to reduce the amount of the annual withdrawal, he or she has a one-time option to switch to the life expectancy formula without incurring penalties. Changes in the formula or dollar amount, or stopping the withdrawals early, may trigger a 10% penalty on all money withdrawn. Be sure to consult with a tax advisor when choosing the 72(t) formula.

Separation from service

Generally, individuals who terminate employment may request that their accumulated qualified plan assets be rolled into an IRA or sent to a new employer's qualified plan, or they may take a distribution. An IRA may offer the greater investment and distribution flexibility; however, there are no loan provisions with an IRA as there may be with a 401(k). Any money distributed directly to the individual and not rolled over into another eligible plan will be taxed as ordinary income and may be subject to a 10% penalty if the individual is under age 59½, unless an exception applies. Special separation from service rules apply to participants in employer-sponsored plans. Individuals who terminate their employment after age 55 may request a distribution from the plan, and the 10% premature distribution penalty would NOT apply.

In-service distributions

Many 401(k) plans permit an in-service, non-hardship distribution to participants who have reached a certain age, usually 59½, or length of tenure. Qualifying individuals may take advantage of this feature and roll some or all of the amount into an IRA. Any portion of the in-service distribution that is not rolled over will be taxed as ordinary income and may be subject to a 10% penalty if the individual is under age 59½. An IRA offers

- distributions at the request of the IRA owner and is not subject to review or approval of a plan sponsor
- greater investment flexibility than many 401(k) plans, which may limit the options offered

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For more information, please call MFS at 1-800-343-2829.

See next page for other important information.

PERSONAL IRAs

SMALL BUSINESS RETIREMENT PLANS

| | TRADITIONAL IRA | ROTH IRA | ROTH CONVERSION ² | ROLLOVER IRA ³ | SEP IRA | SIMPLE IRA |
|---------------------------|--|--|--|---|---|--|
| Target prospects | <ul style="list-style-type: none"> Current owners who need to consolidate accounts Individuals who have no retirement plan Anyone who wants to supplement current retirement plan contributions Clients who wish to cover nonworking spouses Individuals seeking tax-deferred earnings | <ul style="list-style-type: none"> Individuals not eligible for traditional deductible IRA but seeking tax-advantaged savings Individuals who need a retirement plan Anyone who wants to supplement current retirement plan contributions Clients who wish to cover nonworking spouses | <ul style="list-style-type: none"> Pre-retirees and older clients seeking to leave an income-tax-free legacy Younger clients interested in tax planning Traditional IRA funds converted to a Roth IRA will most likely count as income and result in significant tax consequences | <ul style="list-style-type: none"> Job changers Anyone changing jobs due to merger, layoff or plant closing Retirees Baby boomers with significant assets in 401(k), 403(b) or other employer plans Participants in terminating retirement plans | <ul style="list-style-type: none"> Small companies that wish to contribute for employees Sole proprietors | <ul style="list-style-type: none"> Small businesses with 100 or fewer employees Low-cost alternative to 401(k) with simplified administration Employer who wishes to provide a pretax plan for employees with modest employer contributions Must be sole retirement plan of employer |
| Eligibility | <p>Deductibility phased out based on participation in employer-sponsored retirement plans and modified adjusted gross income (MAGI)</p> <p>Single filers covered by employer plan: For 2023 the MAGI range is \$73,000–\$83,000 For 2024 the MAGI range is \$77,000–\$87,000</p> <p>Married couples filing jointly, contributor covered by employer plan: For 2023 the MAGI range is \$116,000–\$136,000 For 2024 the MAGI range is \$123,000–\$143,000</p> <p>For a joint filer with a spouse covered by employer plan: For 2023 the MAGI range is \$218,000–\$228,000 For 2024 the MAGI range is \$230,000–\$240,000</p> <ul style="list-style-type: none"> Must have earned income | <p>Contributions are not deductible but distributions of earnings may become tax free after five years. Maximum contribution amounts are phased out based on modified adjusted gross income (MAGI).</p> <p>Single filers: For 2023 the MAGI range is \$138,000–\$153,000 For 2024 the MAGI range is \$146,000–\$161,000</p> <p>Married couples filing jointly: For 2023 the MAGI range is \$218,000–\$228,000 For 2024 the MAGI range is \$230,000–\$240,000</p> | <p>All individuals and married couples may convert a traditional, SEP, SIMPLE[†] or Rollover IRA to a Roth IRA</p> <p>[†]Not within two years of initial SIMPLE participation</p> | <ul style="list-style-type: none"> Assets must have been distributed from an eligible plan May be opened as a direct rollover, or distribution check may be payable to participant and then deposited into the rollover IRA If distribution is payable to participant, no more than 60 days may elapse between the distribution and the investment into the rollover IRA Indirect rollovers between IRAs are allowed only once in a 12-month period | <p>Plan</p> <ul style="list-style-type: none"> Not limited by number of employees May be used with other retirement plans <p>Employee</p> <ul style="list-style-type: none"> Set by employer but not to exceed the following limits: <ol style="list-style-type: none"> worked at least three of the past five years at least 21 years of age annual earnings of at least \$750 in compensation for 2024 | <p>Employer</p> <ul style="list-style-type: none"> 100 or fewer employees <p>Employee</p> <ul style="list-style-type: none"> Set by employer May be limited to those earning at least \$5,000 |
| Contributions | <ul style="list-style-type: none"> Maximum contribution is \$6,500 for 2023, \$7,000 for 2024 or 100% of compensation, whichever is less Maximum contribution for nonworking spouse is \$6,500 for 2023 and \$7,000 for 2024 \$1,000 catch-up contribution if age 50 or older | <ul style="list-style-type: none"> Maximum contribution is \$6,500 for 2023, \$7,000 for 2024 or 100% of compensation, whichever is less Maximum contribution for nonworking spouse is \$6,500 for 2023 and \$7,000 for 2024 \$1,000 catch-up contribution if age 50 or older | <p>Up to 100% of money from other eligible IRAs and qualified plans</p> | <p>Up to 100% of the amount distributed from the eligible plan</p> | <ul style="list-style-type: none"> Company may contribute up to 25%¹ of compensation or \$66,000 for 2023, \$69,00 for 2024, whichever is less Compensation limit is 20% for sole proprietors | <ul style="list-style-type: none"> Salary deferral up to \$15,500 for 2023, \$16,000 for 2024 \$3,500 catch-up contribution in 2024 if age 50 or older Employer match (up to 3%) or nonelective contribution (2%) |
| Deadlines | <p>Must be set up and funded by April 15 for contributions to be eligible for the previous tax year</p> | <p>Must be set up and funded by April 15 for contributions to be eligible for the previous tax year</p> | <p>Must be done by December 31 to be eligible for that tax year</p> | <ul style="list-style-type: none"> Indirect rollover must be completed in 60 days Direct rollovers do not have a time limit | <p>Must be set up and funded by the employer's tax-filing deadline with extensions</p> | <p>Must be established no later than October 1 of calendar year for that year</p> |
| Key MFS® service features | <ul style="list-style-type: none"> 24-hour account access via 1-800-MFS-TALK and Internet Customer service representatives available Monday through Friday | <ul style="list-style-type: none"> 24-hour account access via 1-800-MFS-TALK and Internet Customer service representatives available Monday through Friday | <ul style="list-style-type: none"> 24-hour account access via 1-800-MFS-TALK and Internet Customer service representatives available Monday through Friday | <ul style="list-style-type: none"> 24-hour account access via 1-800-MFS-TALK and Internet Customer service representatives available Monday through Friday | <ul style="list-style-type: none"> 24-hour account access via 1-800-MFS-TALK and Internet Customer service representatives available Monday through Friday | <ul style="list-style-type: none"> 24-hour account access via 1-800-MFS-TALK and Internet Customer service representatives available Monday through Friday Model IRS plan prototype All contributions made electronically |
| Materials available | <ul style="list-style-type: none"> IRA application Disclosure Statements and Trust Agreements document | <ul style="list-style-type: none"> IRA application MFS IRA transfer form Disclosure Statements and Trust Agreements document | <ul style="list-style-type: none"> IRA application MFS Roth IRA conversion form | <ul style="list-style-type: none"> IRA application | <ul style="list-style-type: none"> Employee and employer forms kits Disclosure Statements and Trust Agreements document | <ul style="list-style-type: none"> "MFS SIMPLE IRA Plan: Employee Resource Guide" "MFS SIMPLE IRA Plan: Employer Resource Guide" Disclosure Statements and Trust Agreements document |

For more information, please call MFS® at **1-800-343-2829**.

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¹25% of compensation contribution limit generally applies to incorporated businesses; for unincorporated businesses, the contribution limit is generally 20% of net profit after deductions for half of self-employment taxes.

Not all firms may allow fund held accounts. Please check with your home office regarding fund held policies.

²Traditional IRA funds converted to a Roth IRA will most likely count as income and result in significant tax consequences.

³ There are advantages and disadvantages to an IRA rollover depending on investment options, services, fees and expenses, withdrawal options, required minimum distributions, tax treatment and the investor's unique financial needs and retirement plans. Please be aware that rolling over retirement assets into an IRA account could potentially increase fees, as the underlying funds may be subject to sales loads, higher management fees, 12b-1 fees, and IRA account fees such as custodial fees.

You should recommend products based on your client's financial needs, goals, and risk tolerance.

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