401 (K) Rollover Options

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Changing Job or retiring? Consider all 401(K) rollover options

Here are five ways to handle the money in your employer-sponsored 401(k) plan.

- **Option 1**: Leave the money in your former employer's 401(k) plan (Leave it)
- **Option 2**: Move the money to your new employer's 401(k) plan (Move it)
- **Option 3**: Roll over the money to a Traditional IRA (Roll it)
- **Option 4**: Roll over the money to a Roth IRA (Roll it)
- **Option 5**: Cash out the 401(k) account, which is subject to tax consequences (Take it)

Option 1: Leave the money in your former employer's 401(k) plan (Leave it)

Leaving money in your current 401(k) may be an option, depending on the terms of your plan. Many additional factors, such as the option to add money and make certain investment choices, will also depend on the terms of your plan. Refer to deciding factors.

Option 2: Move the money to your new employer's 401(k) plan (Move it)

Moving money to your new employer's 401(k) may be an option, depending on whether your current employer has a 401(k) plan and the terms of the plan. Like your former employer's plan, many factors ultimately depend on the terms of your plan, but you should keep the deciding factors in mind.

Option 3: Roll over the money to a Traditional IRA (Roll it)

Rolling your 401(k) into a traditional IRA is an option that offers several benefits. Refer to deciding factors before making a decision.

Option 4: Roll over the money to a Roth IRA (Roll it)

Rolling your 401(k) into a Roth IRA is an option that offers several benefits.

Option 5: Cash out the 401(k) account, which is subject to tax consequences (Take it)

Deciding factors

Ability to add money:

Option 1: Once you leave your employer, you generally won't be able to add money to your plan.

Option 2: You'll generally be able to add money to your new employer's plan as long as you meet the plan's requirements. This option also allows you to consolidate your retirement accounts, which may make it easier to monitor your investments and simplify your account information at tax time.

Option 3 and Option 4: You should be able to add money to your IRA as long as you meet certain income requirements. This allows you to consolidate your retirement savings and other accounts, which may make it easier to monitor your investments and simplify your account information at tax time.

Option 5: Not applicable

Investment choices:

Option 1 and Option 2: 401(k) plans typically have a more limited number of investment options compared to an IRA, but they may include investments you can't get through an IRA.

Option 3 and Option 4: Traditional and Roth IRAs typically have a broader range of investment options than employer plans, but you may not have access to the same investments that are in your current plan.

Option 5: You are free to use as you wish.

Available services:

Option 1, Option 2, Option 3 and Option 4: Contact your administrator / trustee for educational materials, planning tools, telephone helplines and workshops. Your plan / trustee may or may not provide access to a financial advisor.

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Option 5: Not applicable

Fees and expenses:

Option 1 and Option 2: 401(k) fees and expenses often include administrative fees, investment related expenses and distribution fees. These fees and expenses may be lower than the fees and expenses of an IRA.

Option 3 and Option 4: Trustee of these accounts may charge an annual fee and or trade based fee.

Option 5: Not Applicable.

Distribution and withdrawal tax:

Option 1: Since there is no distribution, there is no tax.

Option 2 and Option 3: Since there is no distribution and there is no tax. Make sure that the rollover is trustee to trustee.

Option 4 and Option 5: Withdrawal / distribution is subject to tax.

Penalty-free distributions:

Option 1 and Option 2: Generally, you can take money from your plan without tax penalties at age 55, if you leave your employer in the calendar year you turn 55 or older.

Option 3: Early distribution exposes you to the 10% penalty plus normal tax, there are few exceptions. Regular withdrawals expose to normal tax.

Option 4: Your original contributions are not taxed on such withdrawals, and you are not subject to the 10% penalty. Withdrawal of earnings must meet certain conditions to be tax free and penalty fee.

Option 5: Not Applicable.

Required minimum distributions:

Option 1 and Option 2: Generally, you must take minimum distributions from your former employer's plan beginning at age 72.

Option 3: Generally, you must take minimum distributions from a traditional IRA beginning at age 72.

Option 4: There is no requirement for RMD.

Option 5: Not Applicable.

Creditor Protection:

Option 1 and Option 2: In most cases, your 401(k) funds qualify for creditor protection under a federal law known as ERISA.

Option 3 and Option 4: Do not have creditor protection.

Option 5: Not Applicable.

Contact your plan administrator / trustee / financial institution to learn more about fees and the terms of your plan.

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