FREMONT AREA COMMUNITY FOUNDATION

Friday, December 2, 2022

Wondering What To Do With Your Retirement Savings From a Former Employer's Plan?

Casie Eitniear, financial advisor

Casie Eitniear is a financial advisor at Raymond James Financial Services, Inc. and Karsten Financial Group. She also serves on Fremont Area Community Foundation's Professional Advisors Board.*

If you've changed jobs or are retiring, rolling over your retirement assets to an IRA can be an excellent solution. It is a non-taxable event when done properly - and gives you access to a wide range of investments and the convenience of having consolidated your savings in a single location. In addition, flexible beneficiary designations may allow for the continued tax-deferred investing of inherited IRA assets. In addition to rolling over your 401(k) to an IRA, there are other options. Here is a brief look at all your options.

Cash Out

When separating from service with the employer that sponsored the retirement plan, you have the right to take the money out of the plan.
Con: A taxable event, loss of investing potential. Costly for young individuals under 59 ½; there is a penalty of 10% in addition to income taxes.

Keeping the Money in a Retirement Account

If the money is not needed right now, or you do not want to incur the tax implications, the money can be kept in a retirement account and continue to grow tax-deferred. There are three account choices:

Roll it over. An IRA allows you to defer taxes and could provide more investment options to consider. If you like, you can roll over the old plan into an IRA and start a new 401(k) to take advantage of any matching contributions from your new company.
Pro: Keeping it all together and larger sum of money working for you, not a taxable event
Con: Not all employer plans accept rollovers.

Take it with you. Transfer your retirement assets to your new company's plan. Keep in mind, there may be a waiting period and your investment options may be limited.

Pro: Keeping it all together and larger sum of money working for you, not a taxable event
Con: Not all employer plans accept rollovers.

Do nothing. Keeping money in the old plan may be easy, but you may not be able to make new contributions and you'll no longer be eligible for any employer match. And some plans charge higher fees for participants who are no longer employees.
Pro: May like the investments offered in the plan and may not have a fee for leaving it in the plan. Not a taxable event.

Be sure to consider all of your available options and the applicable fees and features of each option before moving your retirement assets. For additional information and what is suitable for your particular situation, please consult your tax and financial professionals.

**Casie Eitniear is a Financial Advisor at Raymond James Financial Services, Inc. and Karsten Financial Group, which is independent of Raymond James Financial Services, Inc. and is not a registered broker/dealer. Securities offered through Raymond James Financial Services, Inc., member FINRA/SIPC. Investment advisory services are offered through Raymond James Financial Services Advisors, Inc.*
24 East Main Fremont, MI 49412 231.924.6860