To Rollover or Not to Rollover

Oftentimes people who change jobs or Retire are encouraged to Rollover their 401 (K) Plan to an IRA. It's important that you as a consumer understand what the pros and cons are before making any important financial decisions. What should you be considering?

Investment Options: 401 (K) or other Qualified Plans typically now offer 25 investment choices on average according to Brightscope. Our firm screens the investment universe and offers an extensive menu of non-proprietary funding options for the clients we manage assets for. The limited investment options available to you in some 401 (K)'s may be one reason to consider a Rollover.

Fees and Expenses: Investment expenses and fees associated with your Retirement Plan Account is an important consideration. Make sure you are comparing your current investment expenses and fees to the proposed investment account. Understanding what those fees are and exactly what you are paying for is important. You will want to find out whether the employer pays for some or all of the plan's administrative expenses as well. Also, just because the fees are lower in one account, does not mean that it is a better option for you. Fees are only one consideration. You may choose to have personalized investment management provided by a fiduciary for your Retirement Assets. This may provide additional costs and benefits.

Services: What services does your current 401(K) provider deliver to you? In turn, what services will you get if you Rollover your retirement account? We provide our clients the following services and more: Calculating Required Minimum Distributions; Electronic Document Storage for all your important financial and legal documents; Ability to Add investment and bank accounts not held with our firm to your online account access; assistance with distribution planning and strategies; investment monitoring & review of the investment account; rebalancing of your portfolio; and customized planning focused around your goals and values. I encourage you to speak your 401 (K) provider to determine what services they can provide to you and consider what services are important to you. That way you can make the best decision possible for your situation.

Distribution Options

- Leave the Money in the Plan
- Transfer the money to the plan of a successor employer
- Roll the money over to an IRA
- Take a taxable distribution

If you are at least age 55 or older, leaving the money in the plan will provide you access to these funds without a 10% penalty before the age of 59 ½. If you do not have additional savings or investment accounts and may need access to these funds, this may be a good option for you.

Transfer the money to the plan of a successor employer is also an option if you do not plan on retiring. It is important to look at all the factors discussed for the new plan vs. a rollover before deciding.

Rolling the money over to an IRA may provide you access to additional services not provided to you in your 401(K). As discussed previously, it may also offer you increased investment options and provide you access to alternative investment strategies not offered in your current 401 (K).

Taking a Taxable Distribution: Taking a taxable distribution is an option as well. It is important to understand that if you choose this option, you will have to pay income taxes on this distribution and may have to pay a 10% penalty if under the age of 59 ½. From an income tax standpoint, it may be much less tax-efficient to take a lump sum vs. taking payments over time. One of our main objectives is preserving client's capital so that they can live out their retirement years. Taking a lump sum distribution may threaten a client's retirement goals.

I hope you have found this article valuable. Financial decisions such as these may have a major impact on your retirement. We feel it is important to understand these complexities, so that you can make the best decision possible for yourself.

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