Destination: Retirement

Canby Financial Advisors

Fall 2023

In This Issue

Questions?

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Do You Know Where Your Retirement Money Is?

According to the Department of Labor, employees will have, on average, 12 different jobs in their lifetime. And the average median tenure in a job is 4.3 years for men and 4.0 years for women.

Does this sound familiar? If you've done a lot of job-switching over the years, chances are that you've participated in a fair number of employer retirement plans.

Maybe you've never rolled over assets from former plans into your new employer's plan or an IRA. If you did, you're not alone. More than one in five employees has at least one "forgotten" retirement plan account.

In some cases, moving these assets may seem more trouble than it's worth, especially if some account balances are less than the cost of a night on the town.

But what if former employers switch plan providers or completely change their fund lineups? Money you originally invested in a mix of funds may be mapped to the closest equivalent choices. But what if these replacement funds have inferior performance or higher expenses? Do you really want this money to be invested in a way that doesn't meet your standards?

More risks of staying put

Most employers would prefer to terminate accounts of former employees. But they generally can't do so if your account balance is $5,000 or more.

But if an account balance falls below the $5,000 threshold, they can legally kick you out of the plan without your consent.

If the balance is between $1,000 to $5,000, they can roll the money over into an IRA under your name. The choice of IRA custodian is theirs, not yours, and it might not be one you would have chosen on your own.

If your account is worth less than $1,000, your ex-employer can simply close your account and mail you a check for the balance.

Authored by Canby Financial Advisors and Commonwealth Financial Network.

Taxes may be withheld on that withdrawal. If they're not, you may end up having to pay taxes anyway because this cash-out is treated as a retirement distribution.

To avoid or recoup taxes, you'll need to transfer that amount to your new employer's retirement plan or into a Traditional IRA, generally within 60 days of receiving the payout. If taxes were withheld on the initial distribution, you may be able to request a tax credit for this amount when you file your tax return.

Taking the initiative

In most cases, you can initiate rollovers or transfers of assets from dormant retirement accounts simply by contacting the benefits department of your former employers.

But there may be situations where your old company went out of business or was acquired by another company and their updated contact information can't be found.

If you have old statements from these plans, you may be able to get this information by contacting the plan's former administrator or recordkeeper. But if you don't have this paperwork, or you're not sure whether you still have retirement accounts with former employers, there are a few resources you can use to find these "lost" accounts:

- The National Registry of Unclaimed Retirement Benefits[1] lets you search for lost plan accounts using your Social Security number.
- The National Association of Unclaimed Property Administrators[2] also offers a database that lets you search for accounts of all kinds using your first and last name.
- If you think one of your former plans was terminated, search the Department of Labor's abandoned plan database[3] to see if there's information available.

These dormant account "treasure hunts" can be time-consuming and may require you to jump through many administrative hoops. That's why, if you've left a long trail of retirement accounts in your career wake, it's always better to start consolidating when your memories of where these assets are located are still fresh.

[1] https://www.unclaimedretirementbenefits.com/
[2] https://unclaimed.org/
[3] https://www.askebsa.dol.gov/AbandonedPlanSearch/

Commonwealth Financial Network® does not provide legal or tax advice. Please contact your legal or tax advisor for advice on your specific situation.

The Family Finance Juggling Act

Raising a child is expensive. From the day a baby is born until they turn 18, a typical family will spend about $310,605—or about $17,000 per year, according to a 2022 Brookings Institution analysis of data from the U.S. Agriculture Department. And, if you intend to pay a portion of your children's college costs, figure that you may need to kick in anywhere from $10,000 to $25,000 or more per child out of pocket every year.

If you're planning to start a family (or already have), there are a number of smart financial moves to consider. If you haven't created a will or thought about contingency plans for your child or children, consider doing it now. Other steps to take could include setting up power of attorney and health care directives.

In addition, after any big change in your life, it's a good idea to check the beneficiaries named on your financial accounts and insurance. That can help ensure that they are up to date and reflect your current wishes. And finally, it's never too early to explore 529 college savings plans—which offer flexibility, tax advantages, and long-term growth potential.

If you need help figuring out how to address your family's complex financial challenges, consider working with a financial planning professional.

This material does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax professional or lawyer before you implement any of these strategies.

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