Changed Jobs and Left Your Retirement Plan Behind?

If you've recently changed jobs or retired, you may be faced with the decision of what to do with your old retirement plan. Luckily, there are several options available to you. This handout outlines the four main options for rolling over your old retirement plan, along with some considerations for each choice. Remember, it's essential to make an informed decision that aligns with your financial goals and circumstances.

Option 1: Roll Over to Your New Employer's Retirement Plan

If your new employer offers a retirement plan and you are eligible to participate, you may be able to roll over your old retirement funds into the new plan. This option has several potential benefits:

- **Consolidation**: Rolling over allows you to consolidate your retirement savings into one account, making it easier to manage and track your investments.
- **Employer Match**: If your new employer offers a matching contribution, you can take advantage of "free money" on your payroll contributions towards your new company’s retirement savings.

Considerations:

- Compare the investment options, fees, and fund expenses of your new employer's plan with your old plan to ensure you're making the best choice for your investments.
- Check if your new employer's plan has any waiting periods or restrictions on rollovers.

If you want to roll your former plan into your new plan,
Log onto the Start Right website for Rollover Form

Option 2: Roll Over to an Individual Retirement Account (IRA)

You can transfer your old retirement funds to a Traditional IRA or a Roth IRA. This provides more control over your investments and offers a broader range of investment options compared to most employer-sponsored plans.

- **Tax Benefits**: Traditional IRAs offer potential tax deductions on contributions, while Roth IRAs provide tax-free withdrawals in retirement.
- **Flexibility**: You can choose from various financial institutions to open an IRA, giving you more freedom in managing your retirement savings.

Considerations:

- Roth conversions may be subject to income tax, so be mindful of any potential tax implications.
- Consider your current tax situation and future tax expectations when deciding between Traditional and Roth IRAs.

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Option 3: Leave Your Retirement Where It Is

Some employers may allow you to keep your old retirement account even after leaving the company. This option can be suitable for those satisfied with their investment choices and the plan's performance.

- **Convenience**: Keeping your retirement where it is might be the simplest option if you're comfortable with the plan's administration and investment options.
- **Creditor Protection**: retirement plans generally offer excellent protection against creditors compared to IRAs.

Considerations:

- Evaluate the fees and expenses associated with the old retirement plan to ensure they align with your financial goals.
- Check if your former employer allows you to keep the account open after employment termination and be sure to update your contact information.

Option 4: Cash Out Your Retirement Plan

You can choose to cash out your retirement when leaving your job. However, this option is generally discouraged due to several drawbacks:

- **Taxes and Penalties**: Cashing out your retirement before age 59½ may subject you to income taxes and a 10% early withdrawal penalty.
- **Loss of Retirement Savings**: Taking out the funds may diminish your retirement nest egg and jeopardize your financial security in the future.

Considerations:

- Avoid cashing out your retirement unless you are facing severe financial hardships and have no other options. Explore alternatives such as loans or hardship withdrawals if available.

Making the Right Choice:

- Review your financial goals, risk tolerance, and current retirement savings status.
- Consult with a financial advisor to understand the potential implications of each option and make an informed decision.

Remember, rolling over your old retirements an important financial decision. Take the time to assess your options and choose the one that best aligns with your long-term retirement goals and financial well-being.

Disclaimer: The information provided in this handout is for educational purposes only and should not be considered as financial advice. Consult with a qualified financial advisor to discuss your specific situation and investment needs.

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