

# WHAT DO YOU DO WITH MULTIPLE 401 (K) PLANS?

So far, life has been good to you. The career and family are thriving and your quest for a financially secure retirement has been going strong for decades. You've remained a diligent saver and maxed out your contributions to the 401(k) plans offered through all of your previous employers. As you look back, it is easy to see that you've left your mark at leading companies throughout your industry for a long time. But you've also left your 401(k) plan assets scattered across the country. Don't worry; this is not necessarily a bad thing. But you need to remember, just as you've successfully managed many other areas of your life, you must stay on top of your 401(k) assets as well.

In most instances, you will generally have four options when dealing with multiple 401(k) plans. The first option requires you to do nothing. You can simply leave the assets in an existing plan if the plan allows funds to remain after separation from service and it offers strong performing investments. The second would require you to roll them over into an IRA. The third option is taking a cash distribution, and the fourth would involve moving the assets to your new employer's plan.

## **Leaving Assets in Your Former Employer's Plan.**

Before you decide to leave assets in your former employer's retirement plan, keep in



mind that you will continue to be limited by the plan's investment alternatives, which may not provide the flexibility you need to execute an effective retirement savings strategy. If your investments in the plan are not allocated properly to reflect your risk tolerance, goals and time horizon, your savings might suffer from too much volatility or provide returns that are inconsistent with your retirement income needs.

Keep in mind that even if funds are left in the plan after you leave service, the IRS will require minimum distributions to begin at age 70 ½. Failure to take the required amount can result in substantial IRS penalties.

## **Rolling Assets into an IRA.**

If you're changing jobs or retiring, the best decision is usually to roll the assets over into an IRA.

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Doing so lets you retain the funds' tax deferred growth potential. To make managing your retirement assets more convenient, you can maintain all of your IRAs in one place, which also makes it easier to analyze your overall asset allocation. An IRA also offers a number of other benefits, such as possible conversion to a Roth IRA if you are eligible, access to your money when you need it (taxes and IRA penalties may still apply), and if structured properly, penalty-free withdrawals before the age of 59 ½. In addition, an IRA will usually provide more investment choices than those in the 401(k) plan.



### **Cashing Out.**

This option should be a last resort. If you cash out each time you change jobs, you'll systematically erode one of your most valuable sources of retirement income. You will also owe income taxes on the amount you receive, and if you're younger than 55 when you separate from service, you typically will owe a 10% IRS penalty as well.

### **Moving Assets into a New Employer's Plan.**

Before you decide on this option, make sure your new employer's plan permits transfers or rollovers from other types of plans before you proceed. Also, be aware that transferred balances may not carry the same benefits provided under your former employer's plan and the investment and distribution options of your new employer's plan will apply to the amounts transferred or rolled into that plan. If your new employer does not offer a retirement plan, consider rolling your retirement plan assets into an IRA.

When it comes to multiple 401(k) plans, be sure to pick the option that's right for you. After all your hard work, you want to be sure to make the most of your investments.

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