

UNDERSTAND YOUR 401(K) CHOICES

If you are thinking “Should I Roll Over My 401(k)?”, consider the pros and cons of each option. If you have multiple retirement plans, you should consider the options per account, as they might differ. Each one has different advantages and disadvantages in regard to fees, withdrawal rules, required minimum distributions, taxes, investments and protection from creditors. *Use the chart below to help understand what choice aligns the best with your goals for retirement. This is for educational purposes only and is to help you make the decision you feel is appropriate for your situation.*

	PROS	CONS
Leave assets in your former employer's plan	- Access to familiar investment choices - Likely lower costs - Broad protection from creditor claims under federal law - Preserve tax-deferred growth potential - If between 55 and 59½, may be able to take early withdrawals free of the 10% additional tax	- Investment choices may be limited - Plan rules on distributions and beneficiary distribution choices may be restrictive - Can't make new contributions or take loans - The Required Minimum Distribution (RMD) rule applies if assets are left in a former employer's plan
Withdraw assets as a lump-sum distribution	- Immediate access to the assets - Choose how you spend or reinvest the assets	- Taxes will reduce the amount you receive - Cannot put assets back into former employer's plan - Less opportunity for potential tax-deferred future growth
Rollover all or a portion to a Traditional IRA	- Potential for future tax-deferred growth - Can make new contributions to rollover IRA - Typically more investment choices and planning tools - Access to investment advice	- Limited opportunity for early withdrawals without paying a 10% early-withdrawal additional tax (early tax is not due for amounts rolled over) - Loans are not available - Protection from creditors in bankruptcy only - Additional fees should be considered when moving assets to an IRA (for example, transfer fees may apply)
Move assets to your new employer's plan	- Access to potentially new investment choices - Avoid immediate taxes and a potential 10% early-withdrawal additional tax - Broad protection from creditor claims under federal law - Preserve tax-deferred growth potential - May not have to take required minimum distributions (RMDs) if you are still working - May be able to take a loan	- Some plans don't allow rollovers - There may be waiting periods or other restrictions - Investment choices may be limited
Convert all or a portion of assets to a Roth IRA	- Withdrawals of contributions are federal income tax-free (taxes are paid at time of contribution) - Qualified withdrawals of any earnings - Able to pass potential earnings to heirs federal income tax-free - Original account owner doesn't have to take RMDs - Potential hedge against rising taxes	- Income taxes paid when you convert the assets - Loans are not available - Limited opportunity for early withdrawals - Protection from creditors in bankruptcy only - Additional fees should be considered when moving assets to an IRA (for example, transfer fees may apply)

DECIDE WHAT OPTION WORKS FOR YOU

Many factors need to be taken in to consideration, when thinking about rolling over your 401(k) and deciding which option to choose. Each option has may offer different services, fees and expenses, withdrawal rules, required minimum distributions, tax treatment, investment options and protection from creditors.

Keep in mind that in certain situations, your choice is irreversible. The information on this page is for educational purposes only and we are not recommending a particular choice, regarding your employer-sponsored plan assets.



T: (714) 536-4065 | F: (714) 536-2243 | info@weaverconsultinggroup.com | www.weaverconsultinggroup.com
101 Main Street, Ste 220, Huntington Beach, CA 92648

Asset allocation, diversification, and rebalancing do not ensure a profit or protect against loss in declining markets.

The information in this article was obtained from various sources not associated with Weaver Consulting Group. While we believe it to be reliable and accurate, we do not warrant the accuracy or reliability of the information.

Effective 1/1/2020, in accordance with new legislation, the required beginning date for RMDs is age 72. You may defer your first RMD until April 1st in the year after you turn age 72, but then you'd be required to take two distributions in that year. Failure to take all or part of an RMD results in a 50% additional tax applicable to the amount of the RMD not withdrawn.

Consult your tax and/or legal advisor for more information on your personal circumstances. Weaver Consulting Group nor its advisors provide tax or legal advice.

If any portion of your employer plan account balance is eligible to be rolled over and you do not elect to make a direct rollover (a payment of the amount of your employer plan benefit directly to an IRA), the plan is required by law to withhold 20% of the taxable amount. This amount is sent to the Internal Revenue Service as federal income tax withholding. State tax withholding and a 10% early-withdrawal additional tax also may apply.

If you timely complete an indirect rollover, you can work with your tax advisor to obtain a refund from the IRS when you file your tax return for the taxable year. Distribution subject to immediate 20% federal tax withholding, plus applicable state tax and possibly a 10% early-withdrawal additional tax if you are under age 59½ or under age 55 and separated from service. If eligible. Contingent on specific plan rules.

You may owe additional taxes when you file your income tax return with the IRS.

Distributions from a Roth IRA are not subject to federal income tax, provided you have satisfied a five-year holding period and at least one of the following applies: (i) you are 59½ or older; (ii) you are a qualified first-time home buyer (lifetime limit of \$10,000); (iii) you are disabled; or (iv) the distribution is a payment after your death to your beneficiary or estate.

Original Roth IRA account owners are exempt from taking Required Minimum Distributions (RMDs). Beneficiaries are required to take RMDs from inherited IRAs. A spouse beneficiary may elect to treat an inherited Roth IRA as his or her own and would not have an RMD requirement during his or her lifetime.