Job Changes and Your Retirement Assets

MAKE THE MOST OF YOUR RETIREMENT OPTIONS

Did you know that the average American changes jobs once every four years? The result is that many of us have several different retirement accounts with a number of employers and financial providers. And in many cases, this money can be left to stagnate in investments that aren't geared to your specific needs.

If this describes your situation, it may be time to get your retirement accounts in order. Although this may seem challenging, it can be easy… if you know your options.

What are the options?
Once you leave a job, you have four choices as to what you can do with your retirement plan.
1) Take your money out in a lump sum
2) Leave your assets in the previous plan
3) Roll all or part of your assets to your new employer's plan
4) Move your assets into a "rollover IRA"

The option you choose should be determined by your specific needs and goals, but the option many people choose is the simplest one – to leave their assets in their former employer's plan. But funding your retirement is too important to take the easiest course.

THINGS TO THINK ABOUT

In order to decide what option is best for you, it is important to understand the larger factors that you should consider:
- *Tax implications*
  - Taking a cash distribution from a retirement plan in a lump sum will provide immediate use of assets, but it also likely will result in federal and state taxes. At least 20% of your assets will be withheld upon withdrawal.
- *Penalties*
  - If you remove money from a plan before age $59\frac{1}{2}$, you will probably be subject to an early withdrawal penalty of 10%.
- *The power of tax-deferred compounding*
  - If your goal is long-term growth, allowing your money to grow tax-deferred will allow you to build a potentially much larger nest egg over time.
- *Flexibility*
  - Make sure that the option you choose will provide the flexibility to invest the way you want to.

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Setting a course
This chart shows how each of your four options stacks up in terms of the following criteria.

Advantage	Take as lump sum	Leave in plan	Transfer to new plan	Move to a rollover IRA
Avoid current taxes		X	X	X
Avoid 10% penalty		X	X	X
Preserve tax-deferred status		X	X	X
Unlimited investment options				X
Immediate use of assets	X			

By choosing the rollover IRA, you get the same tax-deferred growth as you would with your company-sponsored plan, you will not have to pay any taxes right away, and you will not be liable for the 10% penalty. In addition, you will not be constrained by the often limited choices offered through company-sponsored retirement plans. Instead, you can invest anywhere – in stocks, bonds, mutual funds, bank CDs, or even special asset allocation vehicles offered through a brokerage account.

Capitalize on the power of advice
Sorting through all of these considerations may seem confusing. But you don't have to go it alone! If you opt for a rollover IRA, a financial advisor can help you sort through these considerations and put together a portfolio that addresses your particular circumstances, and can monitor it for you over time to make sure that it continues to meet your objectives.

The benefits of consolidating your accounts and working with an advisor include:
- Less paperwork
- Easier monitoring of your investments
- More investment choices to address your needs
- Asset allocation guidance and monitoring

Get rolling today!
Remember, it's never too early to start planning for retirement. Ask your financial advisor today to help you develop and implement a plan for making the most of your hard-earned retirement assets.