



Managing Your Retirement Plan When Switching Jobs

To maximize your savings, understand your options – if any – for your retirement plan when you switch jobs.

Changing jobs can impact your retirement plan. To minimize disruptions to your contributions and the vested portion of your previous employer's contributions, it's important to understand the choices you may have when you make a career transition. We offer the following key considerations:

Option 1: Stay

Your previous employer may allow you to keep the money in your plan, an attractive option that keeps things undisturbed while allowing you to accumulate tax-deferred earnings potential. While you cannot make further contributions, you still maintain control of how the money is invested. Typically, annual distributions must begin after you reach age 73.

Option 2: Let 'Er Roll

You can transfer the money into your new employer's plan, which continues your tax-deferred growth potential. However, there may be rules associated with rolling over your money. Review your new plan and restrictions carefully before selecting this option. If you take money out, withdrawals will be taxed at current rates, with those made before you reach age 59 1/2 subject to a 10% additional federal tax.

Option 3: Cash Out

You may elect to withdraw your money in cash either in a lump sum or in installments, though you'll face tax consequences: Distributions incur a 20% federal withholding as well as standard income tax. And if you're under age 59 1/2, you'll pay an additional 10% federal tax. State and local taxes may also apply, which collectively could sharply reduce the amount you retain.

Option 4: Transfer into an IRA

You can also roll all or part of your money into an Individual Retirement Account (IRA). If you do so within 60 days, you'll avoid both penalties and withholding taxes. An IRA offers continued tax deferral for retirement, though you should check to see whether fees or commissions will be assessed.

Depending on your circumstances, the money that you accumulate in an employer's plan may be a major source of retirement income. How you choose to manage it can have a profound impact on your retirement savings. Discussing the options with a financial professional can help maximize your savings.



Important Disclosures

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