MAXIMIZE YOUR RETIREMENT:

5 SMART MONEY MOVES FOR YOUR OLD 401(k)

When you leave a job, your employer-sponsored plan doesn't automatically move with you.

If you're switching jobs and have a retirement plan with a former employer, it's important to understand your options and make decisions to protect your retirement savings.

- Making the right decisions can help protect your assets' tax-deferred growth and help to ensure your retirement savings remains available to support your retirement income goals.
- Making an irreversible mistake can lead to a surprising tax bill, additional IRS penalties and a lost opportunity to grow your wealth for a more stable retirement.

66% of Americans fear running out of money during retirement, and 40% are at risk of doing so.[1]

That's a startling statistic for many people nearing retirement. Making the right decisions regarding your retirement savings can have a big impact on your future financial stability. That's why it's important to understand your 401(k) options and take steps to protect your nest egg.

1 https://www.annuity.org/running-out-of-money-in-retirement/

OPTION #1

Leave your 401(k) at your former employer.

Assuming your plan allows it and you are happy with your investment options and performance, you don't need to move your current 401(k) balance. However, there are some disadvantages to leaving a balance in a former employer's plan.

- Access to services may be limited for former employees.
- It may be difficult or inconvenient to manage multiple retirement accounts.
- Your former plan may limit the investment options available to you.
- Some plans charge administration fees for non-employees, which could significantly erode your retirement savings over time.
- Once you are no longer an employee, you cannot contribute to the account or receive company matching contributions.
- Your balance may be heavily weighted in company stock, which could expose you to unnecessary investment risk.

OPTION #2

Cash out your balance.

Once you're no longer employed with the plan's sponsor, you have the option to withdraw funds as a cash distribution. However, there can be consequences to this option.

The biggest risk to withdrawing your assets is that you miss out on the power of compounding. Because funds are no longer invested in a tax-deferred account, your assets cannot continue growing over time to support you in retirement.

Also, any funds withdrawn from a pre-tax account are added to your taxable income for the year, which means you will pay ordinary income taxes on your withdrawal. And, if the amount of the distribution puts you in a higher tax bracket, you may be subject to higher taxes on all of your earnings for the year.

If you have not yet reached age 59 ½, you will likely face an additional 10% early distribution penalty, unless you qualify for one of the following exemptions:[2]

- Death
- Disability
- Payments under a qualified domestic relations order (QDRO)
- A series of substantially equal payments if you terminate service during or after the year in which you reach age 55
- IRS levy

Even if you qualify for one of the exemptions, you will still need to pay taxes on any amount withdrawn, based on your income tax bracket.

2 https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions

OPTION #3

Roll over your 401(k) balance to a new employer's plan.

Some employer-sponsored plans allow rollovers from previous employers' plans. As long as you complete a direct rollover and do not take possession of the assets yourself, you will not disrupt the tax-deferred status of the account. There are both pros and cons to this strategy.

Pros:

- It can be easier to track and manage assets held within a single account.
- You will not owe taxes on your distribution, and your tax bracket is not impacted.
- You will not be subject to a 10% early withdrawal penalty.
- The tax-deferred status of your account is preserved.

Cons:

- You may have limited investment options within the employer-sponsored plan.
- You may be subject to new employer rules, management fees and transaction limits.

OPTION #4

Roll over your 401(k) balance to an IRA.

Another option is to initiate a direct rollover of your 401(k) assets to an IRA. By doing so, you preserve the tax-deferred status of your account and allow your retirement savings to continue growing. The key is that you do not take possession of the assets. Instead, request that a distribution be made directly to your IRA administrator.

Pros:

- You will not owe taxes on your distribution, and your tax bracket will not be impacted.
- You will not be subject to a 10% early withdrawal penalty.
- The tax-deferred status of your account is preserved.
- You may have a wider range of investment options to choose from in an IRA than in your previous employer's 401(k), including stocks, bonds, real estate, gold, international stocks and more. You can even purchase a fixed annuity that provides guaranteed retirement income.*

Cons:

- You must wait until age 59 ½ to access funds without facing the 10% early withdrawal penalty.

OPTION #5

Roll over your account balance to an annuity.

When considering your retirement options, one intriguing choice is to roll over your funds into a fixed indexed annuity. Fixed indexed annuities are popular retirement income planning tools because they can be used to create guaranteed income in retirement for as long as you live. However, it's important to note that the annuity serves as a funding vehicle within an Individual Retirement Account (IRA).

If you are nearing retirement, a fixed indexed annuity can help protect your retirement savings and generate a reliable stream of retirement income. Fixed indexed annuities offer the following benefits:

- Principal protection
- Predictable returns
- Guaranteed income**
- Liquidity

While annuities can be a great way to protect your retirement income from market volatility and give you the confidence of knowing you have a regular retirement paycheck that you can't outlive, these products may not be suitable for everyone. It's advisable to schedule a call with a member of our team to discuss whether an annuity within an IRA makes sense for your particular situation. This personalized consultation can help you make an informed decision and pave the way for a financially stable retirement.

---

* Annuities contain limitations including withdrawal charges, fees and a market value adjustment, which may affect contract values.

** Annuities are products of the insurance industry; guarantees are backed by the claims-paying ability of the issuing company. Guaranteed lifetime income available through annuitization or the purchase of an optional lifetime income rider, a benefit for which an annual premium is charged.

Are you ready to do something with your old 401(k)?

Let's talk!

For most Americans, retirement is the ultimate financial goal. It represents the end of a successful career and the beginning of a new chapter in life. Retirement should be a time to pursue your hobbies, spend time with loved ones and enjoy living life on your own terms.

However, retirement can also be a financial challenge. If you're lucky, you'll live well into your 80s or 90s, which means you may need to fund your living expenses for 20 to 30 years. That's a long time! Not to mention the expense of paying for healthcare, long-term care, taxes, inflation and more.

While past generations of retirees could count on Social Security and defined benefit pensions to support much of their retirement, today's retirees have more responsibility to save and plan for retirement. That makes having a retirement savings and income plan more important than ever.

The good news is you don't have to do it all on your own. Schedule a complimentary retirement consultation with a member of our team. We'll walk you through your various options and help you decide on the best course of action to help you achieve your retirement goals.

We provide clarity and direction to help you decide:

- The best course of action for your old 401(k)
- How to avoid rollover mistakes and IRS penalties while minimizing your tax exposure
- What options are available for your 401(b), 457 or defined benefit plan
- What to consider if you have company stock in your 401(k)
- Whether it makes sense to consider a Roth conversion

Above all else, we focus on developing a course of action that makes sense, given your current financial situation and goals for the future.

Schedule a call today.

COMPANY NAME

WALTERBORO, SC 29488

854.205.0996 | KIRKWALKER12@GMAIL.COM