

401(k) Rollovers

Do you carry a balance in a former employer's 401(k) plan that you're not sure what to do with? You have a few options.

Take a cash distribution directly to yourself.

- 1 Leave the balance in the former employer's plan.
- 2 Roll over the balance to an IRA in your name.
- 3 Roll over the balance to a new employer's 401(k) plan.

Option #1: Take a cash distribution

If you are no longer employed with the company that sponsors the 401(k), you have the option to withdraw funds as a cash distribution. However, there can be consequences to this option.

First, any funds withdrawn from a pre-tax account are added to your taxable income for the year, which means you will pay ordinary income taxes on the assets. 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.

Also, if you have not yet reached age 59 ½, you will likely face a 10% early distribution penalty, unless you qualify for one of the following exemptions.¹

- 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

¹ <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions>

Even if you qualify for one of the exemptions, you will still need to pay tax on any amount withdrawn, based on your income tax bracket.

PROS:

- You receive a lump sum of cash to spend as you wish.

CONS:

- You pay income tax on the full amount of the distribution.
- You may owe a 10% early withdrawal penalty, in addition to taxes.
- You miss out on the growth potential of tax-deferred assets.

Option #2: Leave your assets in the previous employer's plan.

Assuming it's permitted by plan rules, you can leave your 401(k) balance right where it is.

PROS:

- If you are happy with the investment options and performance of your current plan, you do not need to take action.

CONS:

- 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 make contributions or receive company matching contributions.

Option #3: Roll over to an IRA.

The third 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 want to 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 is not 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).

CONS:

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

Option #4: Roll over to your new employer's 401(k) plan.

Your new plan may offer the option to roll over funds from your previous employer's plan. By doing so, you can preserve the tax-deferred status of your retirement savings.

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% penalty unless you make an early withdrawal.
- 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.

Interested in learning more about your 401(k) distribution options?

Schedule an appointment with
your financial professional.



ADVANTAGE RETIREMENT SERVICES

417.893.7233 | OFFICE@ADVANTAGERETIREMENTSERVICES.COM
4650 SOUTH NATIONAL AVE, SUITE D-4, SPRINGFIELD, MO 65810

Investment Advisory services offered through CreativeOne Wealth, LLC, a Registered Investment Adviser. CreativeOne Wealth and Advantage Retirement Services are unaffiliated entities.

Licensed Insurance Professional. We are not affiliated with or endorsed by any government agency, and do not provide tax or legal advice or services. Provided content is for overview and informational purposes only and is not intended and should not be relied upon as individualized tax, legal, fiduciary, or investment advice. By contacting us, you may be offered a meeting to discuss how our insurance and other services can meet your retirement needs. The presenters of this information are not associated with, or endorsed by, the Social Security Administration or any other government agency.

Investing involves risk, including possible loss of principal. No investment strategy can ensure a profit or guarantee against losses. Insurance product guarantees are backed by the financial strength and claims-paying ability of the issuing company.

Any transaction that involves a recommendation to liquidate funds held on securities product, including those within an IRA, 401(K) or other retirement plan, for the purchase of an annuity or for other similar purposes, can be conducted only by individuals currently affiliated with a properly registered investment advisor. If your financial professional does not hold the appropriate registration, please consult with your own broker/dealer representative or registered advisor for guidance on your securities holdings. 27350 - 01/2026