



## HIGHLIGHTS INCLUDE:

- Powerful information that could potentially save you thousands in taxes and fees
- Tips to help put you one step ahead in your retirement preparations
- Critical mistakes that cannot be corrected (and how to avoid them)

# TAKE CHARGE

# OF YOUR 401(k)

Bay CPA<sup>+</sup> PLUS

# HAVE YOU EVER SWITCHED JOBS?<sup>1</sup>

Research shows that the average American employee switches jobs 12.3 times before retiring.<sup>2</sup>

Changing jobs can mean that many Americans have old 401(k) plans, which may not be properly positioned to help them prepare for retirement.

Every time you change jobs, you have some choices to make about your old 401(k). Generally, there are four basic options:

- You can leave the assets in your former employer's plan, if permitted.
- You can roll over the assets into your new employer's plan, if the plan accepts transfers.
- You can roll the assets over into an Individual Retirement Account (IRA).
- You can take a cash value of your account (and manage the potential tax consequences).

Each of these choices has advantages and disadvantages to consider. In this special report, we'll show you how to avoid common (and expensive) mistakes and how your 401(k) can play a key role in your retirement preparations. Remember, you have at least 30 days to decide what to do with your 401(k) when you switch jobs.

Under the 2019 SECURE Act, in most circumstances, you must begin taking required minimum distributions from your 401(k) in the year you turn 72. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.

## 1 Staying Put

If you are happy with your former employer's plan, you might consider leaving your account behind. It's important to remember that you don't give up the right to move your account to your new employer's 401(k) or an IRA at any time. There may be restrictions on your money, however. For example, you may not be able to take a loan from the plan. Also, some employers might charge higher fees if you are not an active employee.

# 2

## Taking Your Plan to Your New Job

One of the best arguments in favor of rolling over your old retirement plan is that it can help simplify your life. In our experience, investors tend to lose track of accounts that aren't right in front of them. Life gets busy, and failing to modify your investment strategies to keep up with your needs can undermine your long-term financial success. Putting your assets in one place can help ensure that your investments remain consistent with your financial goals.

If you are considering this choice, remember to take a look at your new employer's plan before making the switch. First, make sure the new plan has the investment choices that you are looking for. Second, check out the fees associated with the new plan. And third, see when you can join the plan. In some instances, you have to wait until the next enrollment period.



# 3 Rolling 401(k) Assets into an IRA

You can elect to roll over your traditional 401(k) into a traditional IRA. To initiate the rollover, you'll need to select an IRA provider and work with your 401(k) plan administrator. If the money is moved directly from your plan administrator to the IRA provider, no taxes are due on the assets that you move and any new earnings accumulate tax deferred.

In recent years, Roth 401(k) plans have been provided by more 401(k) plan administrators. Rolling over your Roth 401(k) is a similar process to rolling over a traditional 401(k). If the money is moved directly, no taxes are due on the assets that you move and any new earnings accumulate tax deferred.

Under the SECURE Act, once you reach age 72, you must begin taking required minimum distributions from a Traditional Individual Retirement Account in most circumstances. Withdrawals from Traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal can also be taken under certain other circumstances, such as the owner's death. Employer match is pretax and not distributed tax-free during retirement.





# 4

## Cashing Out

Another option is to liquidate your old plan and receive the money directly. While it can be tempting to see your savings as a quick source of cash, cashing out may result in penalties and taxes.

Your 401(k) plan administrator will withhold 20 percent of your current account balance to prepay the tax you'll owe. Remember, your 401(k) was funded with pre-tax dollars. Your account will pay federal, state and

local taxes.

Also, the IRS will consider your payout an early distribution, and may assess a 10 percent early withdrawal penalty.

All combined, you may pay up to 50 percent of your account balance in penalties and taxes.

## Why Work with a Financial Professional?

One of the benefits of working with a firm like ours is the comfort of knowing that you have a team of professionals continuously monitoring your investments and keeping you on track.

Investments are just one piece of your overall financial picture. As professionals, we take every aspect of your financial life into consideration when building customized strategies for your retirement.

Keep in mind: this whitepaper is for informational purposes only. It's not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals if you have questions about the tax treatment of your 401(k). Also, tax rules are constantly changing, and there is no guarantee that existing tax rules will remain the same.

# What Should You Do Next?

Whether you're leaving your job to pursue other opportunities or on the wrong side of the economic downturn, the transition can be a stressful experience. Discussing your situation with a financial professional can help you relax and explore all your choices.

## RESERVE YOUR COMPLIMENTARY FINANCIAL STRATEGY SESSION TODAY

In our complimentary session, we'll take a look at your current financial situation and present you with strategies that make the most sense for you and your financial future.

### *WE'LL SHOW YOU:*

- How to negotiate a settlement or compensation package
- What to consider if you own company stock
- The dangers of holding too much company stock
- How to prevent job losses or money emergencies from derailing your financial future

We developed this session format after helping hundreds of clients manage their finances during critical life transitions.





## Disclosures & Sources

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1. FINRA.org, 2021
2. BLS.gov, 2020

