

# What to Do with Your Old 401(k)

The world of personal finance and retirement planning can seem complicated at times, but when it comes to dealing with a 401(k) account from a previous employer, there are typically four options to consider. If you've recently changed jobs or are looking to consolidate your retirement accounts, here's an overview of your choices:

## 1. Roll the assets into your new employer's plan.

Pros	Cons
Managing all of your retirement assets in one place offers simplicity, making it easier to track your progress toward your retirement goals.	Not all employers will accept a rollover from another plan, so be sure to ask your new 401(k) plan administrator about any applicable rules or restrictions.

## 2. Leave the money in your old employer's plan.

Pros	Cons
If you like the investment options your old plan offers, leaving your money where it is will allow you to continue with that investment strategy.	Some employers require a minimum account balance to keep assets in the plan. Plus, your withdrawal options may be limited once you're no longer actively contributing to the account. (You may not be able to take a loan or partial withdrawal, for example.)

## 3. Roll the assets into an IRA.

Pros	Cons
An IRA generally offers access to a wider variety of investment options compared with typical employer plans. In addition, if you're under age 59½, IRAs allow you to take a penalty-free withdrawal for first-time home purchases or qualified education expenses.	You may face additional or higher account expenses, such as trading charges or annual fees. IRAs also offer less creditor protection under federal law than 401(k) accounts.



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## 4. Cash out the account.

### Pros

Although financial planners may consider this a last-resort option, taking your balance in cash gives you flexibility in using the funds—for example, if you need to pay for unexpected expenses or make a large purchase.

### Cons

Cashing out your 401(k) will reduce your retirement savings, and you will have to pay federal (and possibly state) taxes on the money you withdraw, as well as an additional 10 percent penalty if you're under age 59½. It's best to explore all other options, including a home equity loan, before you cash out your 401(k) savings.

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Commonwealth Financial Network® does not provide tax or legal advice. Please contact your tax or legal professional regarding your individual situation.

If you are considering rolling over money from an employer-sponsored plan, such as a 401(k) or 403(b), you may have the option of leaving the money in the current employer-sponsored plan or moving it into a new employer-sponsored plan. Benefits of leaving money in an employer-sponsored plan may include access to lower-cost institutional class shares; access to investment planning tools and other educational materials; the potential for penalty-free withdrawals starting at age 55; broader protection from creditors and legal judgments; and the ability to postpone required minimum distributions beyond age 72, under certain circumstances. This list of considerations is not exhaustive. Your decision whether or not to roll over your assets from an employer-sponsored plan into an IRA should be discussed with your financial advisor and your tax professional.