Your Workplace Retirement Plan Rollover Guide

Using an employer-sponsored plan can be a great way to save for retirement. These include 401(k)s, 403(b)s, 457(b) and other deferred compensation plans. The downside of many of these though is that they're tied to a specific employer. So, when you leave one job for another you must decide what to do with your old plan. It is estimated that there is around $250 million sitting in abandoned 401(k) accounts. On top of that there are 33,000 new accounts left behind every year. These retirement plans often make up the bulk of a person's savings, so it is critical that they make the correct decision when changing jobs. Which is why we have created this guide to help educate people on the options that are available for their plan. Below is an overview of what is covered in this guide:

1. Your workplace retirement plan's rollover options
2. The benefits of rolling your plan into an IRA
3. Tips for locating an old plan
4. The possible benefits of working with an Investment Advisor during your transition

What Are Your Rollover Options?

When you leave your employer, you have four options regarding your plan:

1. **Take a cash distribution now**

   This can make sense if you have an immediate acute need for the cash. That can be caused by an extended period of unemployment, or a major medical event. ***But you should always avoid taking a cash distribution from any retirement plan for less than a true emergency situation.***

   Not only will you be depleting an account that was established for the long-term goal of retirement, but there will also be tax consequences. Though the IRS does provide a list of permitted hardship withdrawals, they will only enable you to avoid the 10% early withdrawal penalty. You'll still have to pay ordinary income tax on the amount of the distribution.

2. Leave the money in the plan

If you're satisfied with the plan overall, and particularly with the investment performance, this can make sense. However, you will no longer be able to contribute to this plan and will continue paying any fees associated with it.

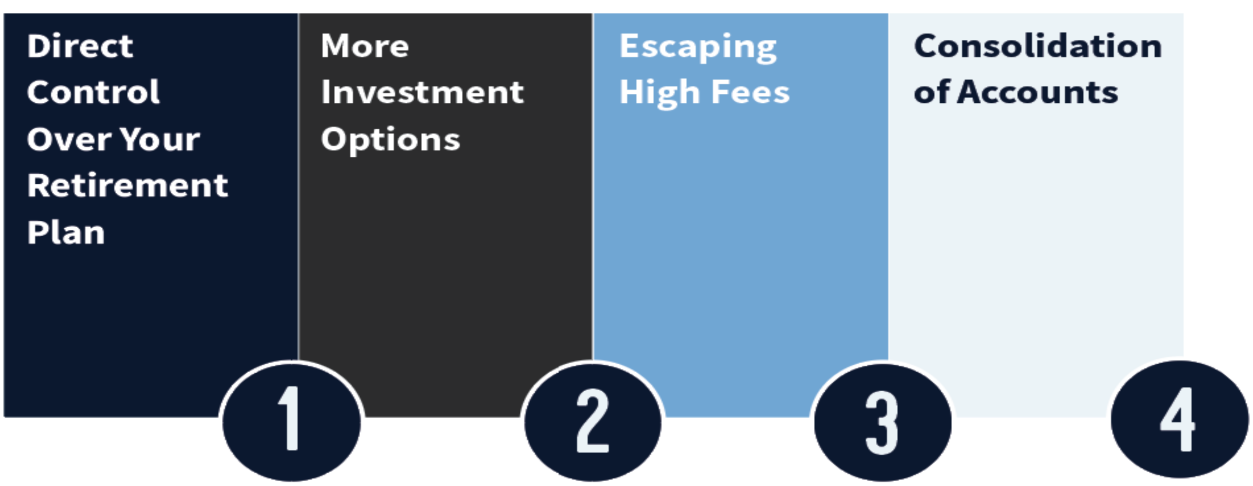
3. Do a 401 (k) Rollover to an IRA

You might do this for one, some, or all the five reasons given in the next section. The advantage here is by doing a 401(k) rollover into an IRA, you can take control of the money, but avoid having to pay income tax and/or an early withdrawal penalty on the money.

4. Roll it over into your new employer's plan

Some employers allow an employer to employer rollover. This means that the funds from your old plan will be transferred into your new one allowing it to continue growing tax deferred. Be sure to take into account the investment selection and fees of the new plan before making this decision.

Why You Might do a 401(k) Rollover to an IRA



1. **Direct control over your retirement plan**

If you prefer having direct control over your retirement plan, then you will want to do a 401(k) rollover into an IRA. Since they are employer sponsored plans, managed by a plan administrator, it can often seem as if there's an invisible wall around a 401(k). If you'd like easier access to your retirement funds, and less bureaucracy in making decisions, an IRA is a better choice.

2. **More investment options**

Many 401(k) plans limit your investment options. They may offer a small number of mutual fund options – such as one index fund, one international fund, one emerging market fund, one aggressive growth fund, a bond fund and a money market fund – plus company stock. If you want to spread your investments to other sectors, or to invest in different vehicles, you will do much better with an IRA account.

3. **Escaping high fees**

401(k) plans can contain – and even hide – a large number of fees. There may be a fee paid to the plan administrator, as well as to the plan trustee, in addition to mutual fund load fees, trading commissions and other charges. In a 401(k) plan, you have no control over the fees.

But by doing a 401(k) rollover into an IRA, you will have greater control. For starters, you will eliminate any fees associated with the plan administrator. But you can also choose to invest through a discount broker and trading only no-load mutual funds and exchange traded funds (ETFs).

The seemingly small 1% or .50% reduction in fees with the IRA could make a huge difference in your long-term investment performance.

4. **Consolidation of accounts**

If you have multiple retirement accounts, you're paying multiple plan fees. It can also be more difficult to create a comprehensive investment strategy while juggling several accounts. It may be more efficient and less expensive to simply consolidate your various accounts in just one IRA. That will both lower the cost of retirement investing and simplify your life.

Tips for locating an old 401 (k)

Perhaps it has been a few years since you have changed jobs and now you can't remember how to access your old plan. No worries, here are some tips for locating your old 401(k):

1. **Contact your old employer**

The most obvious way to find previous 401(k) accounts is to contact your old employer directly. The employer's human resources department should have records of your current retirement-plan account and what assets are inside it. Your former employer will also be able either to get you the forms necessary to roll over your retirement money to a different 401(k) or to an IRA. By following the appropriate instructions you'll be able to move your retirement money where you want.

2. **Refer to an old statement**

If you don't have contact information for your old employer, another possibility is to look through your records to find an old 401(k) statement. Statements will typically have the information you need to get in contact with either your employer or a plan administrator. Then, you can inquire about your options for moving money and get the information you need to do so.

3. **Search for unclaimed retirement benefits**

Employers often have trouble contacting former employees to claim their retirement benefits. To facilitate matching up employers and employees, a private company that handles the processing of retirement distributions nationwide set up the National Registry of Unclaimed Retirement Benefits. This service will allow you to perform a free search for any retirement plan balances in your name.

Consider Working with an Investment Advisor

An investment advisor may be able to make your transition easier. They will be able to help you make the right decision on what to do with a 401 (k). On top of that they may be able to help manage your IRA after the rollover is completed. Keep in mind that there are many different types of advisors out there so make sure your working with one that will put your interest ahead of theirs. Below are five questions that you should be asking your potential or current financial advisor:

1. **Are you a fiduciary?**

   Your advisor should always be a fiduciary. They are required by law to act in their client's best interest. Investment advisors must do their best to make sure investment advice is made using the most accurate and complete information possible. These advisors must disclose any potential conflicts of interest to the client and place the client's interests ahead of theirs. Furthermore, fiduciaries are required to execute trades at the best prices and lowest costs possible under the current conditions.

2. **How are you compensated?**

   Advisors vary greatly on how they are compensated. For the most part they can be fee-only, fee-based, or commission based.

   – A fee-only advisor is paid solely by their clients and the client does not have to worry about a conflict of interest. These advisors do not receive commissions on any investments that are recommended which means the client's best interest is always the number one priority. They are usually paid a fee based on the percentage of assets they manage, a flat fee, or by the hour.

   – Fee-based advisors can charge a fee for their service as well as collect commissions on investments or products that they suggest or implement. These advisors are able to recommend an investment to a client that is suitable to them but may not necessarily be the client's BEST option in order to receive more compensation for themselves.

– Commission based advisors are compensated exclusively from commissions on the investments that they recommend for their clients. Potential conflicts of interest can arise with this form of compensation as advisors may recommend investments that give them a larger commission rather than an investment that is the best for their client.

Because of the ability to receive higher compensation both fee-based and commission advisors may have a conflict of interest when selecting investments for you.

3. **What safeguards are there on my account?**

First, you should know your advisor/broker's record as well as the firm's record. Make sure they are properly licensed, and the firm is both registered and compliant with their regulatory authority. You will want to make sure your accounts are protected by the Securities Investor Protection Corporation (SIPC), which protects losses of $500,000 on assets held in brokerage accounts, including $250,000 limit for cash. This does not protect you against the decline in the value of the securities. Also, be sure where your assets are held. Are they being held with the firm you are investing with or a custodian, such as Charles Schwab, who acts as an independent third-party providing account valuation and safeguards?

4. **How often do you monitor my account?**

Do you have a custom account that is monitored often and changing as new information becomes available, or is your account on autopilot? With regards to the latter, you could be paying your advisor too much for a simple model allocation that is only looked at once a year. On the other side, you would like to know that if your advisor does look at your account regularly, what are they doing and what is the benefit of doing so? You will want to make sure those answers are in line with your investment goals.

5. **What licenses, credentials or other certifications do you have?**

The answers to these questions will be important depending on your needs. Your broker or investment advisor should have their required licenses, such as the Series 65, Series 7, or Series 63. Registered Investment Advisors (RIA) are fiduciaries who must have passed their series 65 license are required to register with the SEC depending on how much money they manage. They will be able to manage your investment accounts for you. If all you need is a financial plan, Certified Financial Planners (CFP) will be able to help. If you are looking for tax planning advice a certified public account (CPA) will be the person to talk to. It might also be beneficial to find any other credentials they may have such as publications, awards, or honors.

Have questions about a workplace retirement plan?

If you have any questions about an old 401(k), 403(b), 457(b), or other deferred compensation plan, feel free to contact one of our advisors. At Blue Bell Private Wealth Management, we are fee-only advisors and act as investment fiduciaries 100% of the time. We offer complimentary consultations on old workplace retirement plans and will help you make an informed decision.

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