Still Have a 401(k) Account at a Previous Employer? Here Are Your Options

Whether due to a desire for more personal growth and career advancement, an economic or business downturn, or some other reason, you're likely to change jobs several times during your working life. Each time you change jobs, it will lead to an extremely important decision: what to do with 401(k) account through your former employer?

And what if you're happy and secure where you are right now? Do you have any accounts at former employers that you need to think about?

There are four options for what to do with your 401(k) account from a former employer.

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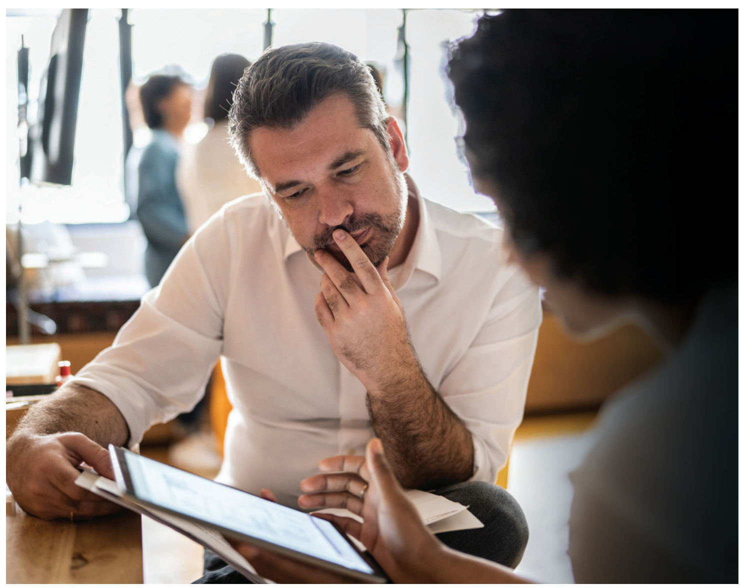
1. Leave Your Money Where It Is

If the plan allows, you may want to consider leaving the assets in your former employer's 401(k) plan, where you can continue to benefit from any tax-advantaged growth. There is something to be said for having familiar investment choices, and your former employer's plan may provide access to investment choices and plan services that aren't available in your new plan.

If you've just changed employers, find out if you must maintain a minimum balance in your old plan, since many plans may now require a minimum balance of $5,000[1] to remain in the plan. You'll also want to review and understand the plan's fees and other provisions, especially if you may need to access these funds at a later time.

2. Roll Your Money Into Your New Employer's Plan



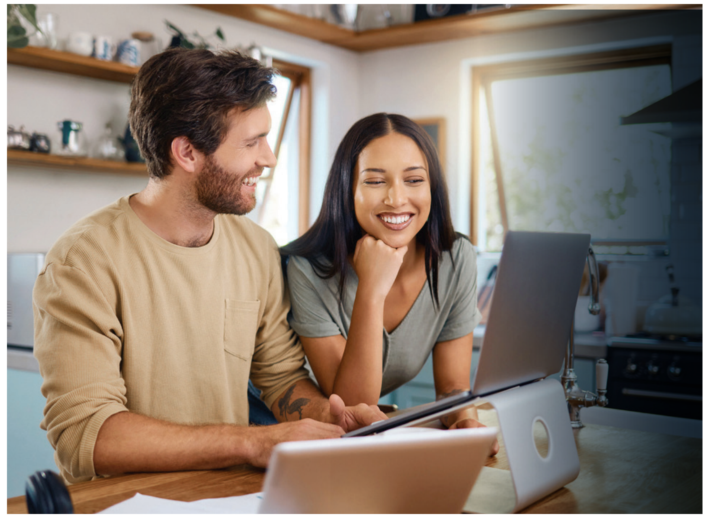
Whether you're in the process of changing jobs or not, you may want to consider rolling your previous 401(k) account assets into your new employer's plan (if permitted). This option maintains the account's tax-advantaged status, and many people like the convenience of having just one account to keep track of and manage. Fewer accounts means fewer risks of cybersecurity threats (and one less password to remember). And should you need to make changes to your investments or asset allocation, having just one account makes it much easier. Your new employer's plan may also offer investment options and services not available in your former employer's plan.

Find out if your new plan accepts rollovers and if there is a waiting period to move the money. If you have Roth assets in your old 401(k), make sure your new plan can accommodate them. Also, make sure to review the differences in investment options and fees between your old and new employers' 401(k) plans.

[1] Starting in 2024, employers have the option to increase this threshold amount to $7,000 as part of the new provisions contained in the recently passed SECURE Act 2.0.

3. Roll Over Your Money to an IRA

To have access to many more retirement investment options and to maintain the tax-advantaged status of the account, you may want to consider rolling your old 401(k) into an individual retirement account (IRA). You will have greater flexibility over access to your savings (although income taxes may apply, along with early withdrawal penalties, if you don't directly transfer the funds and are under age 59½). Before-tax assets can roll over to a traditional IRA while Roth assets can roll directly to a Roth IRA. Make sure to review the differences in investment options and fees between an IRA and your old and new employers' 401(k) plans.



4. Cash Out

Cashing out your old 401(k) may have severe financial consequences. Not only are those funds considered taxable income and subject to an immediate tax withholding (for federal as well as any state and local taxes that apply), you may also be subject to a 10% early withdrawal tax penalty if you cash out before age 59½.[2] Additionally, withdrawals will lose the potential for tax-deferred growth. Here's a hypothetical example of someone taking a distribution prior to reaching age 59 ½ and having no exceptions:

Withdrawal amount	**$25,000**
Federal tax	(11,808)
State and local tax (4%)	(1,000)
IRS 10% early withdrawal penalty	(2,500)
Net distribution:	**$9,692**

Assumes a taxpayer making $75,000, in the 22% federal tax bracket; State and local taxes are hypothetical.

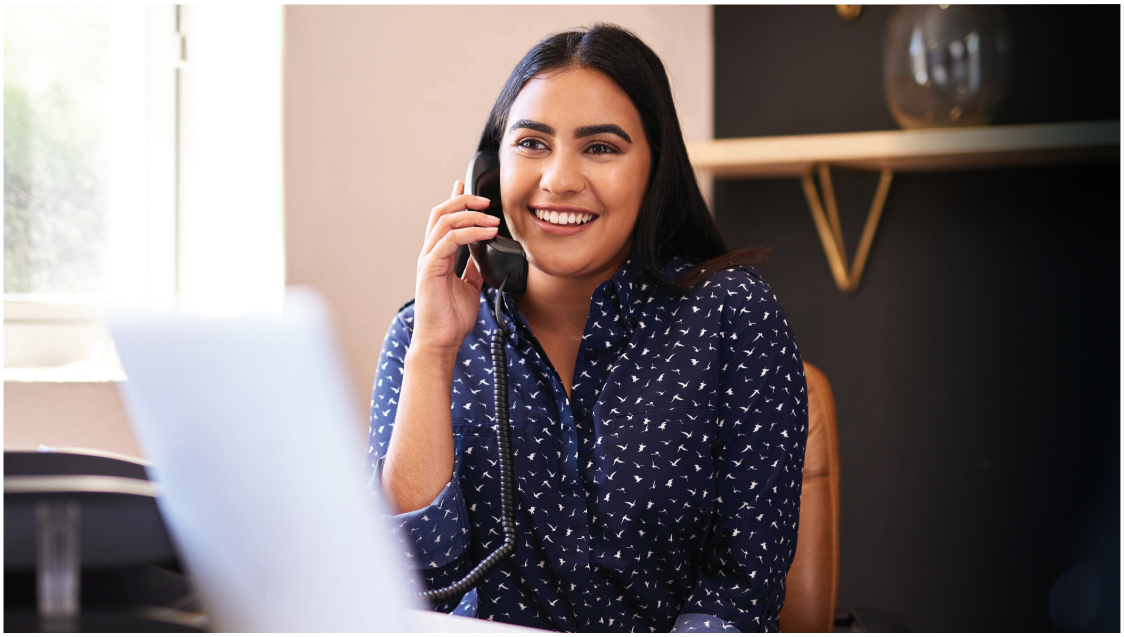
If possible, choose an option that allows you to continue to benefit from your savings' tax-advantaged status and preserve and increase the growth potential of your wealth.

[2] To qualify for the tax-free and penalty-free withdrawal of earnings from a Roth 401(k) account, distributions must meet a five-year holding requirement and occur after age 59½.

Consider Getting Help and Guidance From a Financial Professional

If you need help with your decision, your advisor at HUB Retirement and Private Wealth can help walk you through all your options, discuss the pros and cons, and help keep you on track to achieve your retirement goals. They can also help with other questions you may have right now, such as:

- *Is the amount I'm currently saving enough to manage my retirement income needs?*
- *How can I manage things like inflation and other risks in my investment strategy?*
- *Are my current investments appropriate for the amount of risk I am willing to take?*
- *What can I expect from Social Security benefits?*
- *How can I best plan for healthcare expenses in retirement?*



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