Should You Streamline Your Retirement Savings?

Consolidating retirement accounts can make it easier to stay on track.

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KEY INSIGHTS

- Streamlining your retirement accounts can allow for a more holistic view of your financial picture and the progress you're making toward your goals.
- Many financial firms offer benefits such as lower fees to investors who consolidate accounts.
- By increasing transparency into your overall portfolio positioning and gaps, consolidation can provide time and cost savings, potentially improved investment outcomes, and greater peace of mind.

Whether you're still accumulating assets, preparing to transition into retirement, or you've already retired, you've probably wondered whether it would make sense to consolidate and streamline your investments. The primary benefit to consolidation is that having a clear picture of your financial holdings can help you more easily monitor and manage them. After all, investment management can prove time-consuming and, oftentimes, overwhelming, especially if your retirement savings are divided among numerous accounts with multiple providers.

According to the Bureau of Labor Statistics, younger baby boomers (those born between 1957 and 1964) held an average of 12.7 jobs through age 56.[1] Multiple employers may mean several workplace retirement accounts to manage and maintain. Streamlining those accounts by consolidating them could be an important step toward getting your financial house in better order and keeping it that way.

The Benefits of Consolidating Accounts

Consolidation typically involves a rollover of assets from old 401(k)s into a Traditional individual retirement account (IRA) or combining assets from multiple IRAs or nonretirement accounts into accounts held with one company or investment firm. It is also usually possible to roll assets from an old 401(k) plan into an active 401(k) plan, but the process and requirements are typically plan-specific. The benefits of streamlining include:

[1] Bureau of Labor Statistics News Release August 22, 2023 (www.bls.gov/news.release/pdf/nlsoy.pdf).

1. Easier Monitoring

Consolidating your accounts will mean fewer statements to reconcile and review at the end of each time period. This, in turn, makes it easier to understand your overall balances, asset allocation, individual performance contributors (and detractors), and potential opportunities for improving your portfolio positioning. Another bonus is that fewer accounts and year-end tax forms will mean a simpler tax preparation process—a common objective for retirees and preretirees alike.

Manually compiling your balance details (and performance information) from multiple account statements by entering them into a tracking spreadsheet can prove cumbersome. Not only that, but it may result in erroneous or incomplete data entries.

There are apps and services that summarize your accounts across different financial institutions. These tools, known as aggregation services, can be helpful but not always seamless. For example, they may lack analysis features and require frequent re-input of login information. And when it comes time to execute withdrawals or other transactions, the accounts are still separate, which can make enacting changes difficult. When it comes to retirement planning, simplicity is often a key contributor to getting and staying on track.

2. Comprehensive Portfolio Management

Since a consolidated portfolio allows for more visibility into your investment positioning at the individual and household level, it can enable you to make more intentional and informed decisions when it comes to your asset allocation and holdings. Consolidation can help you identify and reduce duplication of underlying securities or concentrations in one geographical region, asset class, sub-asset class, sector, or company. Additionally, there may be potential for more effective tax-efficient asset location, which can lead to improved after-tax returns. Once accounts are consolidated, your trusted financial professional at that firm can provide more holistic guidance on all these important investment management considerations when there is greater transparency into your household's full retirement planning picture.

The T. Rowe Price Summit Program

Consolidating your accounts could put you in a higher benefits tier.

By consolidating your accounts, you place all those assets on one firm's investment recordkeeping platform, which allows them to be counted toward a benefits program such as the T. Rowe Price Summit Program.

The Summit Program is a tiered benefits program based on the amount of assets held in qualifying accounts. The program's benefits include access to I Class shares, the lower-cost share class for T. Rowe Price mutual funds. Investing in I Class shares can save an average investor $750 in annual fees (with a $500,000 investment). Summit Program members with qualifying balances also gain preferred access to closed funds in their eligible accounts.

The program counts qualifying balances of members of a household who share the same address and last name and/or are co-owners of a joint account.

3. Lower Fees, Greater Benefits

Many asset management and advisory firms offer discounted fee structures for households with higher combined asset levels. The higher tiers of assets within these programs often receive additional benefits. For instance, at T. Rowe Price, a higher asset level allows you access to lower-cost mutual fund share classes and closed funds. (See the T. Rowe Price Summit Program.) Other benefits might include a dedicated advisor and servicing team, enhanced planning support, detailed investment analysis tools, complimentary publication subscriptions, and exclusive investment and personal finance content and events.

4. Simplified Accumulation Strategy and Retirement Income Plan Execution

Streamlining your accounts makes it easier to track your savings progress during the accumulation phase. It also makes planning and executing your withdrawal strategy simpler as you approach and transition through various stages of retirement. Not only will your required minimum distributions (RMDs) involve a more straightforward calculation, but you will probably enjoy a simpler process for satisfying your RMDs in the manner you wish. Whether you plan to live on your RMD income, make Qualified Charitable Distributions (QCDs), transfer the proceeds to a taxable account, or some combination, coordinating these actions can be easier after consolidation.

Before or after RMD age, you can simply be more strategic about which account types you use to fund your lifestyle (and when) if you're drawing from a consolidated portfolio versus planning across multiple firms and representatives. Another important note, upon withdrawal, many employer plans require prorated withdrawals by source and investment type. For instance, if you hope to withdraw only from Roth sources or your money market in your 401(k), your plan rules may not accommodate this level of specificity. Luckily, a Rollover IRA can.

5. Streamlined Estate Planning

Your surviving spouse and/or heirs may find it easier and less time-consuming to execute your estate plan if you streamline, particularly in terms of retitling and managing accounts after you've passed away. There will also be less risk that one of your accounts goes unaccounted for or is forgotten about altogether.

Moreover, your advisor can more effectively partner with your estate attorney, accountant, trustees, executors,

Advantages and Disadvantages of Consolidation

The many advantages of consolidation come along with a few disadvantages and limitations

Advantages	Disadvantages
▪ Easier monitoring and management ▪ Simplified tax preparation ▪ Greater visibility of overall portfolio can enable more informed and meaningful decision-making ▪ Reduced risk of overlap across different accounts ▪ Easier calculation of RMDs ▪ Streamlined accumulation and withdrawal strategy planning and execution ▪ Easier estate plan management while living and distribution when deceased	▪ Not all account types can be consolidated ▪ Assets in a 401(k) are generally better protected from legal judgments than those in an IRA ▪ Some investment vehicles are only offered within your employer-sponsored plan

or other trusted parties to ensure that your wishes are met, and your assets are passed along in the manner you envisioned.

Reasons Consolidation May Not Make Sense for You

There are a few reasons an investor may not want to consolidate their retirement accounts. For instance, not all accounts can be transferred, such as active employer plans, certain types of annuities, and some privately held securities. Other types of accounts, such as inherited IRAs, cannot be consolidated into one account, though they can be held in separate accounts with one firm. Similarly, assets in Traditional IRAs cannot be commingled with Roth IRAs, but both can be moved to the same firm and, in some cases, the same statement.

Streamlining may not make sense if assets in an old 401(k) have a lower fee structure or access to investments that you deem superior but are unavailable in an IRA or in your new 401(k). Additionally, assets in a 401(k) often benefit from greater legal protections (such as from bankruptcy or seizure in a lawsuit) compared with assets saved in an IRA (which are federally protected from bankruptcy up to a limit).[2] So, be sure to consider your legal exposure and/or liability insurance coverage before conducting a rollover.

In other cases, investors simply aren't comfortable with the idea of consolidation for one reason or another. Some of the most common objections clients raise include:

1. "I'm comfortable with how my accounts are currently situated."

If you're confident in your current strategy and your ability to manage it across several firms and accounts, that's great. However, if your inclination to maintain your current approach is driven less by contentment and more by the natural tendency to stick with the status quo, you may want to explore the pros and cons further. While it can be tempting to stay with what is most familiar rather than making a change, there may be some less-than-ideal implications to that approach. Ultimately, the cost of potential blind spots and missed opportunities (for tax efficiency, growth, risk mitigation, and more effective overall planning) can outweigh the discomfort associated with making a change.

Keep in mind that you're typically allowed to transfer any publicly traded stocks, bonds, mutual funds, or exchange-traded funds (ETFs) in kind, and electronically when consolidating.[3] An in-kind transfer means that you won't need to sell anything. It will simply transfer from institution to institution as is. You will therefore have time to decide what changes to make, if any, after consolidation.

2. "I don't want to put all my eggs in one basket."

When investors use this phrase in the context of consolidation, they are often referring to a concern about placing all their investments under the umbrella of a single investment company. This concern may be related to the real underlying risk of investment concentration. However, concentration risk stems from investing a large portion of your portfolio in one company's stock, one investment, one sector, or one asset class. Holding a diversified blend of investments under one umbrella, with one recordkeeper, one set of statements, and a single view of accounts online, does not necessarily add to your underlying investment risks. Those risks would have been the

[2] Federal law protects Traditional and Roth IRAs from bankruptcy up to a total of $1,512,350 per person (across all accounts). SEP IRAs, SIMPLE IRAs, and Rollover IRAs are fully protected in the event of bankruptcy, as are 401(k) accounts. Unlike 401(k)s, IRAs are not federally exempt in a lawsuit.

[3] Employer-sponsored plans may require liquidation of investments prior to the rollover. If executed as a direct rollover, the sale of those investments will not trigger a taxable event.

same prior to the consolidation, but by streamlining, you might be better equipped to identify and avoid holding concentrated, duplicated, riskier, or less attractive positions.

3. "What if the company I consolidate with goes under?"

In the unlikely event that an investment company falters, there are several protections in place to shield account holders. For instance, in the case of a mutual fund company:

- Your money is invested in the securities held in the mutual fund, not the mutual fund company.
- The securities that make up a mutual fund's investments are held in a segregated custodial account, which is typically overseen by a bank or fund company in the form of a trust.
- If the company managing the mutual fund were to falter, another company would likely assume custodial authority of the assets in that fund. The fund's net asset value (NAV) is based on the value of the shares held by the fund, not the solvency or share price of the mutual fund company.

Also, keep in mind that most firms, including T. Rowe Price, allow you to hold many mutual funds, ETFs, and individual securities on one brokerage platform. You are not restricted to the mutual funds overseen by that firm.

Additionally, companies are required to carry Securities Investor Protection Corporation (SIPC) insurance coverage if they have a brokerage business. SIPC coverage protects individual investors against the loss of cash and securities (such as stocks and bonds) if the SIPC-member brokerage firm fails and assets are missing from customer accounts. (Note that this coverage does not protect against the decline in value of your securities or losses related to bad investment advice.)

4. "What if my consolidation destination account gets hacked?"

The unfortunate reality is that the greater the number of accounts you have (with separate logins, account statements, and security protocols), the greater the chance you could be hacked and, worse, potentially unnoticed.

Also, most firms provide cybersecurity safeguards, such as two-factor authentication, text alerts for any transactions, and fraud protection guarantees, in the case that your account does become compromised. Some firms place dollar limits on electronic withdrawal requests as well. Requiring a higher level of verification to process larger withdrawals may help to deter fraudulent activity and ensure that only legitimate requests are honored. For example, at T. Rowe Price:

- A 10-day hold is automatically placed on withdrawals anytime a new bank account is linked or an address is changed.
- During this 10-day period, you will be sent several formal notifications (via mail, email, and text) alerting you that critical information on your account was changed and to contact us immediately if you did not initiate the change.

These types of protections—including firm policies, authentication procedures, and automatic notifications—can be quite effective in protecting your account from fraud.

The fewer accounts you have (and the fewer notifications and statements you need to monitor for this activity), the likelier you'll be to catch fraud.

For more information on how T. Rowe Price helps protect your security, visit troweprice.com/security.

Honestly Weigh the Benefits Against the Drawbacks

Under all circumstances, you'll want to carefully assess your goals and make sure that your accounts are positioned to support them. Of course, consolidation must make sense for your needs and situation and should only be undertaken after thorough consideration of the advantages and potential disadvantages. That said, in most cases, the money you've saved is yours and you're free to move it wherever and whenever you choose. Therefore, even after consolidating, you will always maintain the right to move your hard-earned savings elsewhere, especially if your expectations are not being met.

Streamlining and consolidating your accounts offers clear benefits in terms of easier monitoring, performance tracking, risk/opportunity identification, and enactment of critical changes along the way. If consolidation ultimately allows you to manage your financial plan (and the investments that support it) more seamlessly, informatively, and successfully, the benefits may well outweigh the potential drawbacks.

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Consider all available options, which include remaining with your current retirement plan, rolling over into a new employer's plan or IRA, or cashing out the account value. When deciding between an employer-sponsored plan and IRA, there may be important differences to consider, such as range of investment options, fees and expenses, availability of services, and distribution rules (including differences in applicable taxes and penalties). Depending on your plan's investment options, in some cases, the investment management fees associated with your plan's investment options may be lower than similar investment options offered outside the plan. All investments involve risk, including possible loss of principal.

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