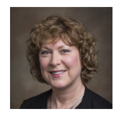
Advantages and Considerations of the Four Options for Your Old 401(k)

Preserving the tax benefit improves your ability to build wealth.



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KEY INSIGHTS

- Keeping the money in your old employer's plan or moving it to a new employer's plan gives you access to that plan's features.
- Choosing to roll old 401(k) assets into an individual retirement account can provide access to a wider array of investments and increased flexibility.
- Cashing out a 401(k) can have immediate tax consequences and penalties.

You have four options for what to do with an old 401(k) account. To determine what's right for you, consider whether you're changing jobs or retiring from your career, as well as your financial circumstances and long-term goals. Keep in mind that preserving the tax benefits of your investments when you leave your job may substantially improve your ability to build wealth over the long term. Consider the following options:

1. Leave your assets where they are

If the plan allows, you can leave the assets in your former employer's 401(k) plan, where they can continue to benefit from any tax-advantaged growth. Find out if you must maintain a minimum balance, and understand the plan's fees, investment options, and other provisions, especially if you may need to access these funds at a later time.

2. Roll your assets into a new employer plan

If you're changing jobs, you can roll your old 401(k) account assets into your new employer's plan (if permitted). This option maintains the account's tax-advantaged status. 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, review the differences in investment options and fees between your old and new employers' 401(k) plans.

3. Roll over your assets to an IRA

For more retirement investment options and to maintain the tax-advantaged status of the account, roll 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).[1] Before-tax assets can roll over to a Traditional IRA, while Roth assets

[1] Certain exceptions apply.

can roll directly to a Roth IRA. Review the differences in investment options and fees between an IRA and your old and new employers' 401(k) plans.

4. Cash out your assets

Cashing out your old 401(k) may have significant financial consequences. Not only are those funds considered taxable income and subject to an immediate tax withholding, but you may also be subject to a 10% early withdrawal tax penalty if you cash out before age 59½.[1] Additionally, withdrawals will lose the potential for tax-deferred growth.

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. Other important factors to consider include fees and expenses, available services, protection from creditors, and special tax considerations for employer stock. Please consider consulting with a tax professional.

Advantages and Considerations of the Four Options

Here's a snapshot of the information you need to help make the right choice for your situation.

	Advantages	Considerations
1. Leave your assets where they are	▪ Offers familiar investment options. ▪ Maintains your plan account's tax-advantaged status. ▪ Generally allows for penalty-free withdrawals if you leave your job in the year that you turn age 55 or older (although distributions are still subject to income taxes). ▪ May provide access to investment choices and plan services that aren't available elsewhere.	▪ May have a minimum balance requirement of $5,000 to remain in the plan.[2] ▪ Subject to plan withdrawal provisions. ▪ May have limited investment options.
2. Roll your assets into a new employer plan	▪ Maintains your plan account's tax-advantaged status. ▪ May permit loans.[2] ▪ Generally allows for penalty-free withdrawals if you leave your job in the year that you turn age 55 or older (although distributions are still subject to income taxes). ▪ May provide access to investments that may not be available elsewhere. ▪ If you are still working at age 73,[3] you may not have to take required minimum distributions (RMDs) from your current employer's plan.	▪ Limits investment options to those in the new plan. ▪ Subject to plan withdrawal provisions. ▪ May involve a waiting period prior to moving assets from a former employer's plan.[2] ▪ Generally, rollover contributions to a new plan (if permitted) can be withdrawn at any time and do not have to meet a permissible distribution event. Taxes and penalties may apply.
3. Roll over your assets to an IRA	▪ Maintains your plan account's tax-advantaged status. ▪ Often offers access to a wider range of investment options (versus keeping the assets in an employer-sponsored plan). ▪ Permits penalty-free withdrawals after age 59½ and under limited circumstances if under age 59½. ▪ Allows you to consolidate multiple accounts into a single IRA.	▪ Does not offer loan provisions. ▪ Generally, you may not make penalty-free withdrawals until age 59½. ▪ There may be negative tax consequences of rolling over significantly appreciated employer stock to an IRA.
4. Cash out your assets	▪ Provides immediate access to your retirement plan assets.	▪ Removes the potential for continued tax-deferred growth of your assets. ▪ There is a mandatory 20% withholding on the distribution, and state withholding, depending on the state, may apply. You may be liable for a greater amount when you file your taxes if your income tax rate is higher than 20%. ▪ May be subject to a 10% early withdrawal penalty if you are under age 59½. (Some exceptions apply; please contact a tax professional.)

[2] Depends on employer plan provisions.
[3] The RMD age will change to 75 in 2033.

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