

401(K) TRANSITION ASSISTANCE OPTIONS

A plan participant leaving an employer typically has four options (and may engage in a combination of these options), each choice offering advantages and disadvantages.



MIND THE DEADLINES

When you leave an employer, their 401(k) plan will usually send you information on your distribution options and the deadline for indicating what you want to do with your money. If you miss that deadline, a decision will be made for you.

You may choose to:

- Leave the money in your former employer's plan, if permitted.
- Roll over the assets to your new employer's plan, if one is available and rollovers are permitted.
- Roll over to an IRA.
- Cash out the account value.

In addition, if your old 401(k) balance is paid directly to you, the IRS requires that you roll it over to an IRA (Individual Retirement Account) or a new 401(k) plan within 60 days to avoid a penalty.



CHOOSE BETWEEN TRADITIONAL AND ROTH OPTIONS

The key difference is when your retirement savings is taxed.

- If your old 401(k) balance is paid directly to a Traditional IRA, it is a non-taxable event.
- Plan contributions, including rollovers, grow tax-deferred until withdrawal.
- Upon withdrawal, contributions and earnings are taxed as regular income.

WITH A ROTH IRA OR ROTH WITHIN A 401(K)

- Plan contributions are made from after-tax income — so a rollover from a non-Roth 401(k) to a Roth plan would be taxed when you roll it over.
- Withdrawals in retirement, including all earnings, are tax-free, subject to plan rules.



REQUEST A DIRECT ROLLOVER

In a direct rollover, your money moves straight from your old 401(k) provider to your new IRA or 401(k) account, without you ever taking possession of the funds.

This avoids the mandatory 20% tax withholding that applies if your distribution check is made payable to you.



SETUP THE ACCOUNT TRANSFER

Your old and new retirement plan providers will have their own specific rollover procedures, such as how a distribution check should be made out. Follow these procedures exactly to avoid complications and consult your financial professional located at your credit union if you'd like help.



SELECT YOUR INVESTMENTS

Once you've setup your new account, you'll need to select your investments. Your financial professional located at your credit union can help you better understand your options and select investments that match your goals and risk tolerance.

Note Also That Some Employer 401(K)S Do Not Offer A Roth Option, While Others May Allow You To Combine Traditional And Roth Accounts.

The Financial Professional Located At Your Credit Union Can Explain Additional Differences Between Roth And Traditional Accounts And Help You Make An Informed Choice.

If you'd like to learn more about how planning ahead today can pay off in your future, contact a financial professional at First Financial Investment and Retirement Center by calling 732.312.1500, Ext. 1534 or emailing maureen.mcgreevy@lpl.com

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