SPACE AGE CREDIT UNION

Is a Rollover Right for You?

If you've recently changed jobs–or maybe changed jobs a few times over the years–you may be juggling multiple retirement plan accounts. While it's certainly acceptable to leave your money in your former employer's plan (as long as your balance is over $5,000, your old employer can't cash you out), in many instances it might be a better idea to consolidate your assets.

Consolidation can help make administering and allocating your assets much simpler.[1] Having your entire retirement portfolio summarized on one statement makes it easier to track performance and make changes. But before you initiate a rollover, be sure to compare the investment options and their associated fees in your old plan with those in your new plan.

- Were you able to properly diversify your assets in your old plan? If your investment choices were limited, you probably want to move your old account into your new account.
- Are the investment fees higher or lower than those in your current plan? If you were paying more at your old plan, it's a good reason to move your assets to a plan with lower investment fees.
- Are you satisfied with the investment choices and fees charged in your current plan? If you're not happy with your current plan–and weren't crazy about your old plan–you can always roll over your old plan assets into an IRA.

Initiating a roll over isn't difficult. First, check your current plan rules to confirm that rollovers are permissible (the vast majority of plans accommodate this feature). Then contact the administrator of your old plan (you can find their information on your quarterly statement) to get the ball rolling. Some plan providers have a simple online request process, while others require completion of a paper-based rollover form. Your current plan provider or IRA provider may even furnish a rollover service for you.

It's also important to know the difference between a rollover and a distribution. A rollover allows you to transfer your money from one qualified retirement account to another without incurring any tax consequences. A "qualified" account can be either your new employer's plan or a rollover IRA.

A distribution is essentially a withdrawal from your account. If you request a distribution, the account administrator is required by law to withhold 20% of your account balance to pay federal taxes. State taxes, if applicable, are also due. If you are under age 59 1/2, you will probably be hit with an additional 10% federal early withdrawal penalty.

If you have specific questions about your retirement plan distribution options, contact your employer's benefits department.

Todd A. Dussex is a Certified Financial Planner Professional available at Space Age Credit Union. If you would like to speak to or meet with Todd, simply contact his office at 303-283-4746 or ask a Space Age Representative to arrange a meeting. Todd offers a free, no obligation consultation to all members of Space Age.

1 Asset allocation and diversification do not ensure a profit or protect against a loss in a declining market.