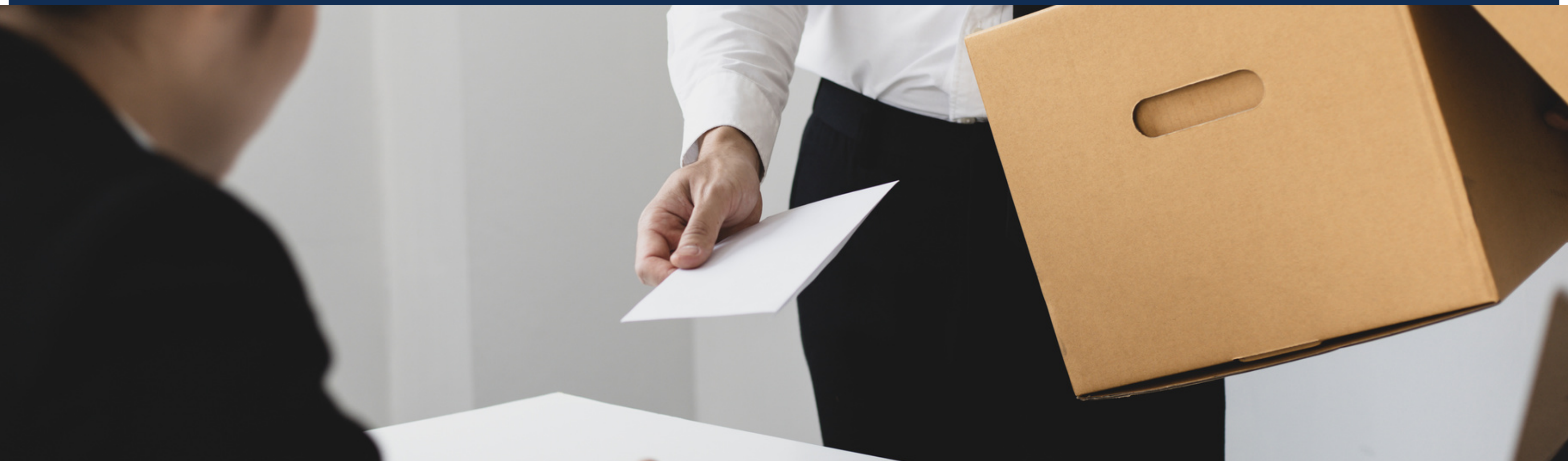
August 2nd, 2022 By Lilach West



THE GREAT RESIGNATION AND THE 401k's LEFT BEHIND

Do's and Don'ts Of What to do with old 401k's

Changing jobs is exciting but at times, having to deal with all the practical things like what to do with your. Old 401K/403b/TSP can be very stressful. For most of you, it may be the biggest asset you have outside your home and you've probably worked many years to accumulate all that money. In 2021, more than 38 million Americans quit their jobs and in 2022 that trend seems to be continuing.

Let's break down your options and see if there's a way of hitting you goals more consistently and with less time in one of these options. And if you have any questions about any of these options, please feel free to set up a 15 min consultation by clicking https://calendly.com/lilachwest/15min or call 310-729-2684.

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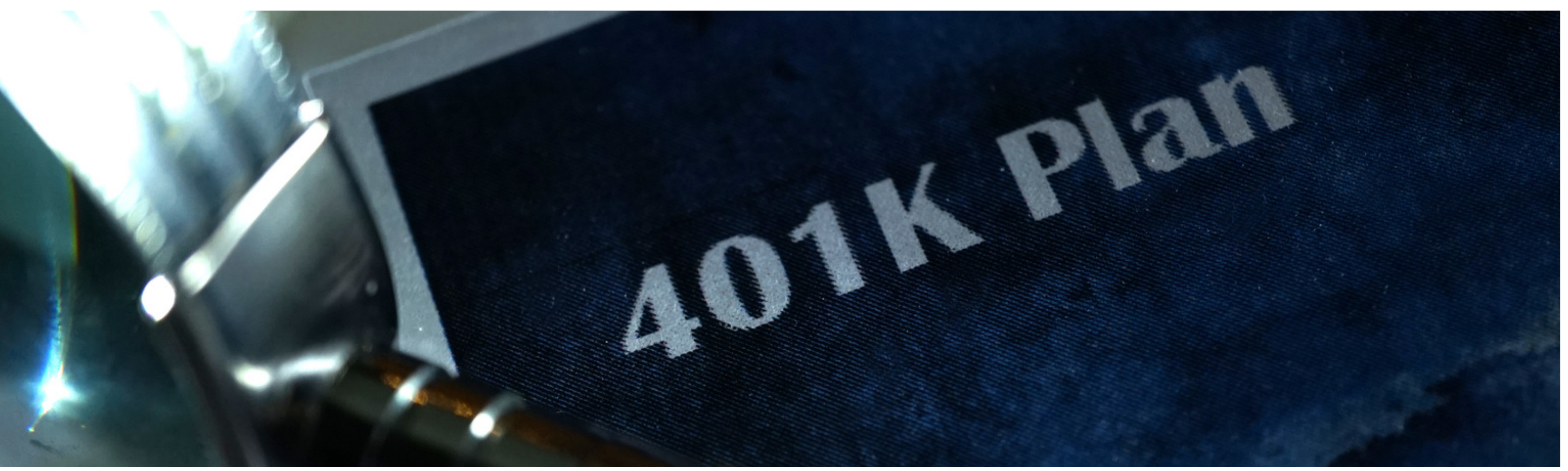
1. Leave it in your old 401(k)

Pros: If you're between the age of 55 and 59 1/ 2 you may be eligible for free withdrawals while most other retirement accounts have hefty penalties on w/d before 59 1/2. You also may have broader creditor protection under federal law that isn't provided with the other options.

Cons: You and your old employer can no longer contribute and you've lost one of the greatest benefits of a 401K. Now, your account may lose money to unnecessary fees. The lack of transparency in mutual fund fees and administrative fees may justify the returns during a bull market but can be very frustrating during the bear market like we are in right now. The most important con is the lack of investment options. You usually have just a few options and these options are typically set up for younger employees for a more aggressive long term trajectory. 401(k)s are not customized for the individual, but created for a general group of employees.



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2. Roll it over to your new 401(k) provider at work

Pros: For simplicity it may be easier to combine your old plan with the new plan making it easier to keep track. The new plan will keep your old funds segregated in their accounting, so you always have control to roll it out to an IRA.

Cons: Again, you can be subject to higher fees, limited control, limited investment options and potential tax implications. If you decide to go this route, make sure you request a direct rollover, which is a custodian-to-custodian transfer, to avoid paying taxes.

3. Rollover to IRA - An IRA is an INDIVIDUAL retirement account.

It is designed for the INDIVIDUAL

Pro - This is where you really have the most advantages. Let's break them down:
1. An IRA will offer more investment options and lower fees. The options are nearly unlimited and can be customer to your goals and needs.
2. If you have several 401K from previous employers, you can combine them all into one IRA for simplicity.
3. Opening an IRA gives you a chance to reassess you allocations strategies and goals and really customize your investment. So if you're trying to gear up for for retirement and are 5-10 out, currently retired and want to make sure you stay retired forever, or trying to evaluate and maximize your inheritance options, an Individual Retirement Account will cover any one of those options and allow you to move to more aggressive options and pick individual stocks to move more conservative and fixed options for a future guaranteed lifetime income stream with an insurance company.
4. Tax advantages - There may also be an opportunity to make some Roth rollover conversions if you had a break in-between jobs or expect to make less money putting you in a lower tax bracket. This would be a good opportunity to speak to an advisor or accountant.

-Con - As mentioned in the pro of keeping it in the old 401K, If you switched jobs between ages 55 and 591/2, you can w/d money from that account without having to pay a 10% penalty to the IRS.

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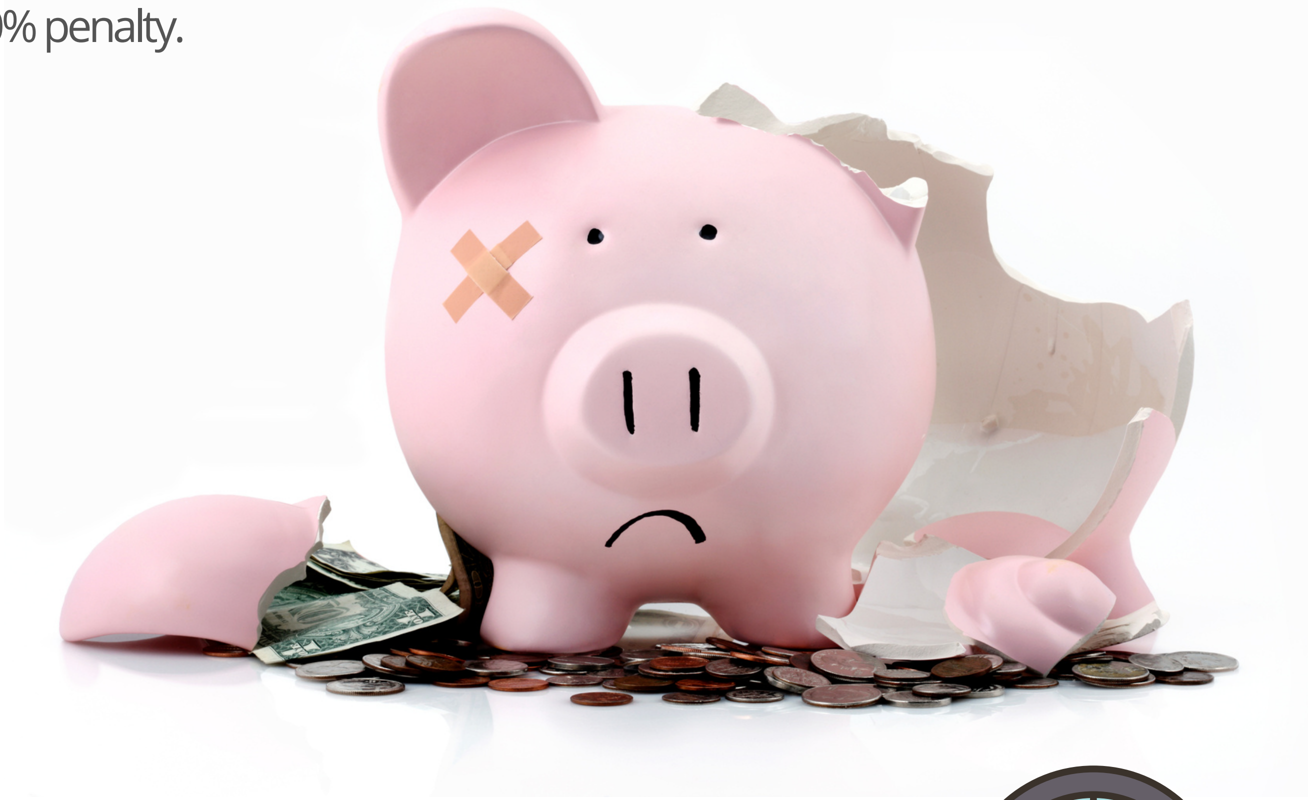
4. Cashing Out

PLEASE BEWARE!!!

If you decide to cash out and receive a check made out to YOUR name, you are now responsible for getting it to the right place within 60 days. Otherwise you will owe income tax on that amount and if you're under he age of 59 1/2 you will also pay a 10% penalty.



Click on the calendar to set a time with the author to discuss what is in your best interest in regards to your old 401(k)