Taking Money with You When You Go

SOME PEOPLE CLAMBER UP THE PROFESSIONAL LADDER, SOME MAKE LABORED decisions before switching jobs, and others make moves for a career change or family matter. Whether a job change happens every fifteen years or every two, the result can be retirement accounts containing millions of dollars being left behind with former employers. Why are we leaving this money behind?

When switching or leaving a job, your retirement plan might not be high on your list of things needing attention. Dealing with the emotions that come from transferring out of a job combined with the hustle of finding new employment and getting comfortable in a new position take precedent over things that aren't so immediate, like what to do with retirement plan assets. Sometimes employees are unaware of their options, such as rolling their account into an IRA or new company plan, or are confused about how taxes will affect the option they choose. Others may feel that leaving the money in their former company's plan is best because they own stock through their plan or feel they had excellent investment options. Regardless of the reason, have you considered the potential hazards of not taking that money with you? These may include:

• **FORGETTING THE MONEY EXISTS** – The longer you are removed from an account, the more likely you may be to forget about it. It is unlikely that you'll continue to update your address with former employers and if the plan changes providers, you could get lost in the shuffle. It also may become harder for loved ones to find the account if you are deceased.

• **FEES CHIP AWAY YOUR ACCOUNT BALANCE** – You may not receive plan updates on design or fees as quickly as current employees at the company which holds your retirement account, so changes in fees might be chipping away at your plan faster than you realize.

• **LOSING PROACTIVE MANAGEMENT** – If you plan to manage the investments in your former and current retirement accounts yourself, you may find over time you aren't as proactive as you would like, especially if you are managing multiple plans in multiple locations. Whether you get too busy or forget to make adjustments in your investment portfolio, the implications to your account could be harmful.

When you leave an employer, you have several options for taking care of your retirement plan. At first, you may be tempted to cash your money out, but the drawbacks of this option include the amount of taxes for which you will be immediately responsible and the withdrawal penalty for cashing out if you are under the age of 59 and a half. If you choose to keep the money in a retirement savings vehicle but don't want to leave it with your former employer, two possible options are transferring your funds to your new employer's plan or rolling over the funds to an Individual Retirement Account (IRA).

Before deciding to transfer to your new employer's retirement plan, you must first determine if they will accept the transfer. If so, you can avoid immediate taxation on your former account funds and continue to defer more money into your account as you earn income with your new employer. However, the new plan might have limited investment options or be poorly designed. To avoid these limitations, rolling your balance into an IRA might be more beneficial for your situation. In this type of account, you not only have access to more investment options, but also more flexibility in transferring funds to your beneficiaries. An investment advisor will be able to help you manage your investments in both options.

There is no "right" answer in how to handle retirement accounts from former employers. However, one option is probably better suited to your situation over the others, so determining what that is will be key to prudent management of your retirement funds.

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