

Question: When I retire what happens to my 401k money?

Answer: Your 401k represents a critical piece of your financial future. And as you retire, you typically have three options.

- 1. You can withdraw the money (and trigger huge taxes).** The upside is that you have immediate access to all or a portion of your cash. The downside is that your savings no longer grow tax deferred, a 10% early withdrawal penalty generally applies if you're under age 59 ½, and all withdrawals are added to your taxable income in the year it is withdrawn.
- 2. You can let the money sit in your employer's plan (until age 70 1/2, when you must take at least minimum distributions).** The upside is that your money continues to grow tax deferred, you avoid the 10% early withdrawal penalty, there is little or no additional paperwork, and your existing investments remain intact. The downside is that your plan may place limitations on inactive or retired participants' accounts, investment options are limited to those offered in the plan, withdrawals are usually subject to plan provisions, and your company may be acquired or change its plan in the future.
- 3. You can rollover and reinvest the assets from your plan into an IRA.** The upside is that your money continues to grow tax deferred, additional investment options become available, you may lower your investment costs, and you gain the flexibility to control and consolidate other retirement accounts and convert assets to a Roth IRA in the future. Potential downsides include the additional paperwork necessary to create and transfer your money and tax penalties if you complete the paperwork incorrectly.

Bill's Bottom-line: The choice is obvious, yet the procedure – usually called an IRA Rollover – is intricate. If you're unclear how to handle it, ask your HR department or hire a professional.



Bill Losey, CFP®, CSA, "America's Retirement Strategist", has nearly 20 years experience in the financial planning industry and has been interviewed on the CBS Radio Network, CNNfn, FOX's "Hannity & Colmes", and Bloomberg Business Radio. Bill publishes *Retirement Intelligence*, a free weekly e-newsletter that reaches over 3,500 subscribers worldwide. He operates Bill Losey Retirement Solutions, LLC, an independent registered investment advisory firm and can be reached online at www.MyRetirementSuccess.com or by calling 1-866-786-2521.