Stay or Roll Over? What to Do With Your Old Retirement Accounts?

If you've changed jobs a few times over the years, you could have several accounts housed in different employers' plans. While it is certainly acceptable to leave money in an old plan, in some instances it may be a better idea to consolidate your assets.

Callout:

Before you initiate a rollover, be sure to compare the investment options of your old and new plans -- and/or any IRA option you are considering -- and their associated fees.

Social Media Message:

Have you left retirement accounts with old employers? It may make sense to consolidate via a rollover.

How many retirement accounts do you have? If you've changed jobs a few times over the years, you could have several accounts housed in different employers' plans.

While it is certainly acceptable to leave money in an old plan, in some instances it may be a better idea to consolidate your assets. (If your account value is less than $5,000, your old employer can cash you out of the plan, making it imperative to have a backup destination for those assets.) Having your retirement portfolio in one place can make it easier to track performance, ensure proper asset allocation, and make changes.[1]

Initiating a rollover isn't difficult. If you are planning to roll over your assets into an IRA, you simply need to contact the financial institution that will house your account. They will either have you fill out a form or have a representative help you through the process.

If you are planning to roll over your assets into your current employer's plan:

- First check your current plan rules to confirm that rollovers are permissible (the vast majority of workplace retirement plans accommodate rollovers).
- Check with your new plan's administrator to see if they offer a rollover service. If not, contact the adminstrator of your old plan(s) (you can find this information on your statements) to start the process.

Comparison Shop

Before you initiate a rollover, be sure to compare the investment options of your old and new plans -- and/or any IRA option you are considering -- and their associated fees.

- **Diversification:** Were you able to properly diversify your assets in your old plan?1 If your investment choices were limited, you may want to move your money.
- **Fees:** Are the investment fees in your old plan higher or lower than in your new plan? If you were paying more for the investments in your old plan, it could help save you money to move your assets.

Distributions: A Last Resort

Be sure to understand 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 adminstrator 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 59½, you could be subject to an additional 10% federal early withdrawal penalty. You can roll over assets from a distribution within 60 days of receipt and reclaim those tax withholdings. If you wait longer than 60 days, a rollover is not permissible.

Source/Disclaimer:

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

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