SECURITY NATIONAL BANK
WEALTH MANAGEMENT

**You left your job and now wonder what to do with your old 401(k)?**
Changing or leaving a job is often an emotional time, potentially leaving you feeling a mix of excitement, nervousness or even sadness. There are so many moving parts it can be hard to manage the transition. As you say goodbye to friends and colleagues, don't forget about the retirement savings you have accumulated with your employer. Many employees are uncertain about their 401(k) plan options and what may be the best choice for them, and their unique circumstances.

Employees who have a 401(k) or similar employer-sponsored retirement savings plan have four choices:

- Keep your account with your former employer. Most companies (but not all) allow you to keep your retirement savings in their plans after you leave.
- Roll the money into an Individual Retirement Savings Account (IRA).
- Rollover your 401(k) into a new employer's plan. However, not all employers will accept a rollover from a previous employer's plan, so you'll need to check with your new employer first.
- Cash-out.

What you do with your retirement savings is an important decision, and there are benefits and consequences to each choice.

***Consider rolling over retirement savings to an Individual Retirement Account (IRA).***
In general, consolidating retirement savings from previous employers by converting them into an IRA makes the most sense. Some benefits of an IRA include more investment options, enhanced withdrawal flexibility and lower fees than an employer-sponsored 401(k) plan. From an investment management and estate planning perspective, consolidating accounts also simplifies things. Frequently, abandoned retirement savings accounts are poorly managed or forgotten about and can become increasingly risky over time as asset allocation mixes become skewed by market movements.

***Avoid cashing out if at all possible***.
While rolling over a 401(k) balance is likely most appropriate for most people, cashing out is typically the worst strategy. Taking money out of retirement accounts should be avoided unless the immediate need for cash is critical and you have no other options. Even then, it would be best if you only withdrew what you need until other sources of cash can be found. The consequences vary depending on your age and tax situation. But withdrawing from your retirement savings too early (the

IRS requires you to be age 59 ½) will create significant tax penalties, including higher taxes due now and early withdrawal penalties.

***Another option:***

Another option to consider is meeting with a tax advisor to determine if a Roth IRA conversion makes sense. There are potential long-term tax benefits to holding retirement savings in a Roth IRA, but some important near-term tax considerations must be understood first. When you convert money from an old 401(k) to a Roth IRA, that money is taxed as regular income for that year – an immediate tax hit.

However, the money held in a Roth IRA continues to grow tax-free. Contributions made to a Roth IRA can be withdrawn at any time, for any reason, because they were made with after-tax money. The most attractive feature of a Roth IRA is that after age 59 ½, you may withdraw investment gains *tax-free*, as long as the Roth IRA is at least five years old. A Roth conversion may be especially appealing to retiring savers. That's because when you earn less money than average, you'll be in a lower income tax bracket. So, the immediate tax hit doesn't hurt as bad as when your income was higher. An accountant can determine precisely how much an investor can convert to a Roth IRA without being bumped into a higher bracket. Funds not converted can remain in a traditional IRA and are eligible for additional conversions in future years.

Your 401(k) likely represents a significant portion of your total savings and net worth, so it's essential to carefully consider your options before making any decisions. To make an informed decision, you'll need to find out your 401(k) rules, compare fees and expenses, and consider any potential tax impact. For more information or to have a detailed discussion, contact a Security National Bank Wealth Advisor.

## DISCLOSURES