

Retirement Rollover Pose Many Choices



Q: Should I roll my 401(k) into a Rollover IRA?

A: You have choices. You can usually leave your 401(k) where it is, move your account to your new employer's 401(k), roll the account into an IRA rollover, or cash it out.

If you cash out your 401(k), you will owe ordinary income tax (plus a 10% penalty if you are under age 59 ½).

Compare the fees and expenses of your 401(k) with a rollover IRA. Differences in fees can be huge.

IRAs have more investment choices. Develop a diversified portfolio; it's a great way to mitigate risk.

Leaving your 401(k) account with your current employer

after retirement gives you the option of taking penalty-free withdrawals at age 55. An IRA allows penalty-free withdrawals at age 59 ½. Either way, you'll owe ordinary income tax.

You can take out a loan from your 401(k), but it's generally not advised. You can't get a loan on an IRA, but you can take money out of your IRA and return it in within 60 days. After 60 days, it's considered a withdrawal.

Retirement plans are generally protected against lawsuits, creditors and bankruptcy at federal and state levels. When a Florida resident inherits an IRA from a decedent who lived in another state, it's wise to move the account to Florida to get the benefit of the asset protection law. Florida Statutes protect tax-qualified retirement plans, IRA's and Roth IRA's. Consult your attorney and understand the limits of your protection.

After you've retired, there is no difference between your 401(k) and IRA when it's time for Required Minimum Distributions. RMDs must be taken at age 70½.

If you're still working at age 70 ½, you aren't required to take an RMD (with few exceptions) from your current employer's plan, but you must take RMD's from your IRAs and Rollovers.

Consider your personal situation and review your options. Understand the expenses and diversification choices. Consult your advisors before you make an irrevocable decision.

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