

Founder & CEO of ClearPath Wealth Strategies LLC, Trevor Houston – 5 401(k) Considerations When you Leave Your Employer

Texas, City of Dallas, May 24, 2021 ([Issuewire.com](https://www.issuewire.com)) - If you are retiring or switching jobs, you must have come across the term 401k rollover. If you are wondering what it is, let us explore that together in this article.

What is a 401k Rollover?

A 401k rollover is a process that allows you to move your funds to another account without incurring taxes from a distribution. That said, it is easier said than done and needs serious consideration on your part.

First, you should understand the process; consider the costs and convenience offered by the different options, and evaluate whether a rollover suits your needs.

If you leave your employer, you will have to decide what to do with your 401k account. You have four options, each of which has benefits and drawbacks. These options are:

- If permitted, leave part or all of your funds in the 401(k) plan of the company you are leaving
- Make a direct rollover to your new employer's plan
- Request a direct rollover to a traditional IRA or to a ROTH IRA
- Take a lump-sum distribution (note that if you under age 59 1/2, there is a 10 percent penalty tax and applicable taxes will be assessed).

Before making your decision, please contact your existing and/or former employer or plan administrator, and review these options carefully to identify the one that best meets your needs.

5 Reasons to Consider a 401k Rollover to an IRA

Here are five reasons why you might consider a [401k rollover to an IRA](#).

#1 Maintain tax-deferred status

A rollover to an IRA allows you to retain the tax-deferred status of your contributions and their earnings.

#2 More Investment Options

An IRA account may offer you a wider range of investment opportunities than a typical 401k plan.

#3 Better Control

A rollover of the funds when leaving a company may give your greater control over your investments. You might also be able to consolidate other tax-deferred accounts into the same IRA.

#4 Continued contributions

You can continue to make additional contributions as long as you have earned income, even past age 72.

#5 Avoiding Required Minimum Distributions (RMDs) with a Roth IRA

Once you turn 72, you will be required to take RMDs from your 401k. If, however, you choose to convert your 401k account to a Roth IRA, you can avoid RMDs. Note, however, that you will have to pay income taxes when converting your 401k account to a Roth IRA, and there are other considerations you should investigate.

Bottom Line

If you are switching jobs or planning to retire, consider the advantages and disadvantages of all of your options. There are, of course, disadvantages to consider if you choose an [IRA rollover](#), such as the unavailability of loans, potentially higher fees, and less protection from creditors. Some employer plans also offer a delay in taking RMDs until the later of retirement or age 72, which would not be available with a traditional IRA.

Before making any decisions, you should seek guidance from a financial professional. It is important to understand the fees, provisions, and investment opportunities associated with your [401k account decisions](#).”

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