Explore Your Rollover Options

You've decided to make a change in employment. Now you need to decide what to do with the 401(k) or 403(b) plan that you have with your former employer. According to a 2010 Fidelity survey of employees who made a job transition, almost one third were unsure of what to do with their workplace retirement plans.

Deciding to rollover or not to rollover is a complex choice. Because your 401(k) or 403(b) assets are often a significant portion of your retirement savings, it's important to consider the pros and cons of your options and find the one that makes sense for you. You generally have four choices:

1. **Leave your 401(k) or 403(b) plan with your former employer.**

Most companies, but not all, allow you to keep your retirement savings in their plans after you leave. This allows your money to continue growing tax-deferred while you explore all of your options. The benefits of leaving your assets in a former plan may include:

- Penalty-free withdrawals if you leave your job during or after the year you reached age 55 and expect to start taking withdrawals before turning 59½;
- Lower-cost investments that you may not be able to hold in an IRA;
- Broader creditor protection under federal law than with an IRA.

Keep in mind that if your balance is $5,000 or less, some plans may automatically distribute the proceeds to you (or to an IRA established for you). You will no longer be able to make plan contributions, or in most cases, take a loan. And, you may have fewer investment options than with an IRA.

2. **Roll the assets into an IRA.**

Rolling your 401(k) or 403(b) plan assets into an IRA gives your money the potential to grow tax-deferred, as it did in your retirement plan. Because you are taking responsibility for your own retirement planning, you may want to consider working with an investment professional if you don't have the time, investing skill or interest in managing your own portfolio.

The benefits of rolling over to an IRA may include:

- Access to a wider variety of investment options than are available in an employer's plan.
- Consolidating multiple IRAs into a single IRA or with one custodian can make it easier to effectively manage your investment strategy;

- The option of converting assets to a Roth IRA, which imposes a tax liability at the time of conversion but eliminates taxes on funds withdrawn post-retirement;
- Penalty-free withdrawals for a qualifying first-time home purchase or qualified education expenses if you're under age 59½.

Once you reach age 70½, you must take a Required Minimum Distribution (RMD) from an IRA every year, even if you are still working. If creditor protection is of importance to you, federal law provides greater protection for assets held in workplace retirement plans.

3. Consolidate your old 401(k) or 403(b) plan assets into a new employer's plan.

If your new employer accepts rollovers from outside plans, the benefits may include:

- Continuing to position your assets for tax-deferred growth potential;
- Combining plan accounts into one, for easier tracking and management;
- Deferring RMD's if you are still working after age 70½;
- Availability of plan loans (if allowed by plan);

Remember, your 401(k) or 403(b) plan may have a limited number of investment options compared to an IRA, with limited investment advice available. You will also be subject to the new employer's plan rules, which may have certain transaction limits.

4. Cash out.

Taking the assets out of your retirement plan should be a last resort due to the potential tax and penalty implications. If you make a withdrawal before age 59½, it will generally be subject to both ordinary income taxes and a 10% early withdrawal penalty.

Older investors may not have the time to replace their "lost" investments, making it less likely to sustain a retirement income that could last a few decades.

It's important to know the facts before you make a decision. Your choice will depend on many factors and it is critical that you understand your options. Working with an H&H financial planner or a qualified tax professional can help you make informed decisions and ensure you are making the most of your benefits.

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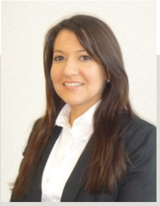
Jonathan brings nearly two decades of experience in the investment industry to his role with Hooker & Holcombe Investment Advisors, Inc. (HHIA). His focus is to work closely with each client to identify and set goals and objectives, develop custom strategies, and implement specific plans. He also advises institutional clients on their retirement plans. His clients rely on his expertise for wealth planning, asset allocation and portfolio management.

Jonathan is an Accredited Asset Management Specialist (AAMS®) and has completed the Accredited Investment Fiduciary (AIF®) program sponsored by Fi360.



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Katerina has an extensive background in retirement planning and assists with all aspects of the Financial Planning process and Asset Allocation Analysis for individual wealth management clients. Katerina takes great pride in helping families through retirement, education, investment and estate planning. She also conducts educational seminars to help clients understand the retirement options available to them and how to utilize those options to suit their individual financial situation and achieve their financial objectives.

Katerina is a Certified Financial Planner™ professional.