



Moving Money From Your 401(k) or Other Retirement Plans

Change jobs recently? Or perhaps you are one of the lucky ones who has retired? Are you considering shifting funds from your qualified retirement plan (profit sharing, 401(k), 403(b), etc.) to your personal IRA? This move can possibly give you more investment options and greater control over your hard-earned dollars.

In many cases you can contact your former employer(s) and have your retirement plan money transferred directly to your traditional IRA. In some cases, you may even be able to pay taxes and convert some of the money into a Roth IRA. By doing this, the money that you and your beneficiaries take out in the future will be tax-free. Roth IRAs are also not subject to the minimum distribution rules. This could allow you to provide your family with a significant source of tax-free money in the future. Please note, however, that wage earners in higher tax brackets could be limited in their ability to use these IRAs. It is important to note that retirement plan monies reinvested into a Roth IRA may be subject to a 10 percent federal tax penalty if withdrawn from the Roth IRA prior to age 59 1/2.

If you decide to move your company retirement account(s) to your IRA, there are some important considerations.

First, you may want to transfer the money in such a way that you are not subject to an automatic withholding tax. Plan custodians must withhold 20 percent for federal income tax from your distribution unless the money is going directly to another trustee. You would then only receive 80 percent of your qualified plan money since the rest will go to the IRS for tax on the transfer. So if you don't set up the move carefully, the tax bite could be quite a surprise.

Next, you need to follow your former employer's transfer/rollover rules to the letter, or it will take a long time to get your money. Many pension plan administrators have specific forms you have to use; some may even require signature guarantees (from your bank). In other cases you might have a very tight window for getting your money out—for example, some administrators might require the request to be made by the 15th of the month preceding the end of the quarter before the quarter when



you want to get the money. And then, you may have to wait another 90 days or more. Of course, the distribution rules often vary among administrators. For this reason, it is a good idea to learn what the rules are ahead of time.

You may also be considering moving traditional IRA's and Roth IRA's to another bank, mutual fund co. or financial institution. Be careful in how you handle those transfers too.

Sound complicated? It doesn't have to be. Just call me to discuss your options and the best way to transfer your accounts with the least amount work. **HB**

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