Tax Year 2024

The Rollover IRA Guide

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Whether you have a 401K, SIMPLE IRA, SEP IRA, TSP, or any of the other various retirement plans available, when you leave your employer you have to make a decision of what to do with your assets. Making an informed decision to preserve and grow your assets is vital, refer to this guide for a recap of the different options available to you:

Retain with Your Prior Employer

There are some exceptions as some plans have account minimums to remain in the plan after you leave, but this is often what many investors do as they don't know what other options they have.

Pros/Cons

Pros: Ease/No added work, Money continues to grow tax-deferred, Familiarity of plan and guidelines
Cons: Smaller plans may have higher fees than what's available elsewhere, Potential for less flexibility with distributions, Stuck with available investment lineup

Roll Into Your New Employer Plan

If your new company offers a similar plan you can roll your funds into the new company sponsored plan. The funds will be subject to the new company sponsored plan's provisions, guidelines and available investment lineup.

Pros/Cons

Pros: Potential for lower fees, Consolidation, Ability to prolong RMD's if working past age 70.5 (for current plan)
Cons: Potential for less desirable benefits or provisions under the new plan, Still likely less extensive investment options than an outside IRA could offer

Roll Into a Pre-Tax or Roth IRA

If you'd like more control over your funds or your new employer does not have a plan you can roll funds into an IRA or if Roth funds, into a Roth IRA. You can also convert pre-tax funds into Roth funds from your old 401K plan.

Pros/Cons

Pros: Increased control, Increased investment options and flexibility, Penalty-free withdrawals for qualifying expenses, Roth conversions can create tax efficiencies
Cons: More bankruptcy protection within 401K, Lose loan option with IRA, Conversions are fully taxable

Cash Out Funds

Although this is not often recommended, if needed you can take an immediate cash flow from your plan. If age 59.5+ you can do so with no penalty but your plan provider is required to withhold 20%+ for federal taxes and you will owe state taxes as well.

Pros/Cons

Pros: Access to the entirety of your funds (net of taxes), Distributions can be taken at age 55 if you worked for said employer after age 55
Cons: If under age 59.5 you likely face a 10% penalty, Large tax implications, Missed investment growth

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