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Your 401(k): Leave It or Roll It?



You thought the hardest part about saving for retirement was figuring out the best place to invest your money? Here's another head-scratcher: what to do with your 401(k) when you leave your job.

Generally, you can leave the money with your ex-employer, move it to your new employer's plan (if that company allows it), roll it to an individual retirement account or cash out. Each choice comes with potentially negative consequences for your savings.

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Many 401(k) plans have a limited number of investment choices and strict trading restrictions, leading to unsatisfactory risks and returns in your account.

Many 401(k) plans offer only 10-20 investment choices, with many of those choices limited to the 401(k) vendor's proprietary target date funds. Many 401(k) plans prohibit you from moving your assets from one investment to another and then back to the original within a set number of days. Even if making those changes would be prudent and in your best financial interest, the plan can still prohibit such moves. Remember, we are talking about your hard earned savings.

You can rollover your 401(k) assets to an Individual Retirement Account (IRA) when you leave your employer or when you complete an in-service withdrawal while you are still employed with same employer. Like a full 401(k) rollover, an in-service withdrawal allows you to transfer 401(k) assets on a tax free basis to your IRA.

Once your assets are inside your IRA you have access to thousands of investment choices without trading restrictions. Unlike many 401(k) plans that do not offer emerging market funds or international or high yield bond funds, you can now invest in those vehicles and many others that are in your best interest. You can move between funds and or individual stocks, bonds and/or ETFs without trading restrictions. With this flexibility you can choose the best investments for your needs and retain the trading flexibility to optimize risk. Remember, we are talking about your hard earned savings.

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<http://www.skloff.com/services-401k-403b-457.htm>

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