



What you can do with your retirement plan balance when you have an employment transition.

If you are leaving a current employment where you have a retirement plan that is not a defined benefit (pension) plan, you generally have four options for what to do with the balance in your account:

1. Leave your money in the plan

You may want to keep the balance in your old plan, especially if you: like the plan's investment options, the plan has low fees, or you want to move the balance to a new employer's plan down the road.

If your plan balance is more than \$5,000, you can leave it in your old employer's plan. If you have less than \$5,000, ask your employer if you have to move the balance, in which case consider rolling it over to a new employer's plan or an IRA.

2. Rollover to a new employer's plan

If you're starting a new job, check if your new employer's retirement plan allows you to move the balance from your old plan into the new plan. However, you should consider the following:

- Does the new plan have better investment options than your old plan?
- How do the new plan's fees compare to the old plan's fees?
- Is it better for you to consolidate your retirement savings into one plan so you have fewer accounts to track?

3. Rollover to an IRA

Most IRAs offer a wide range of low-cost investment options, and rolling over your plan balance to an IRA allows you to consolidate all your investments, making them easier to track.

You can roll over the old plan's balance to a traditional or a Roth IRA. If you roll over to a Roth IRA, you have to include the untaxed amount in your gross income in the year the plan's trustee directly transfers the money to the Roth IRA or makes a distribution to you, which you then deposit to the Roth IRA within 60 days of receipt. However, withdrawals from this Roth IRA could eventually be tax-free if you meet certain conditions.

4. Withdraw the balance

You can withdraw your balance by requesting a lump-sum distribution. However, you will not only have less saved for your eventual retirement but you likely have to pay income tax on any previously untaxed amount that you receive. You may also have to pay an additional 10 percent early distribution tax if you are not at least 55 years old (59½ years old for a SEP or SIMPLE IRA plan). If the withdrawal is from a SIMPLE IRA plan within 2 years from when you first participated in the plan and you are not at least 59½ years old, the additional 10 percent early distribution tax is increased to 25 percent. If you withdraw your balance, you can always change your mind and roll it over to a new employer's plan or to an IRA within 60 days of receiving the distribution.

This article has been developed by Pelletier, Chase & Associates, LLC as a public service to you. It should not be construed as tax advice or as a promise of potential tax savings or reduced tax liability. For more information, contact [PCA](#).