How to Transfer from a Company-Sponsored Retirement Plan

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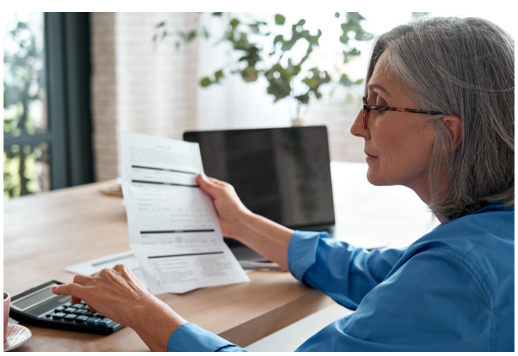
When it comes to organizing your balance sheet and simplifying your accounts when a life change occurs (ex. retiring or changing jobs,) there are a few processes to review in order to achieve a smooth transition. In this article, we will address the most common steps in combining or moving your retirement account (often 401(k)) to your own self-directed IRA.

When rolling money over from a current or former company-sponsored retirement plan into a self-directed Traditional IRA or ROTH IRA plan, the majority of the company-sponsored retirement plans (such as a 401k or 403b) require their own distribution paperwork.



Before you look to move money out of your plan, it can be beneficial to review all the accounts within your plan, as well as where the money will be going (the receiving IRA/ROTH IRA accounts.) It is best to start the applications for the receiving accounts as you complete the steps outlined below, so you are out of your investments as little as possible. The last thing you want is to be sitting on a large check from your retirement plan as you try to figure out and setup a new account to deposit into.

After you have assessed your retirement plan options and consulted with your tax and other advisors, and you are looking to move funds from a company retirement plan, the most efficient way to do this is to reach out to either 1) the plan sponsor or 2) directly to the investment company ahead of time to request their distribution/rollover paperwork. (The online portal or your plan documents should include the number to call - often found under "resources" or "forms.") Once you have a copy of this distribution/rollover form, your financial professional can assist you in completing it with the appropriate information needed for a smooth rollover. If you are going the DIY route, you'll need to complete the section stating where to send the funds. This will typically be a named custodian along with a receiving account number. Often you can elect to put your social security number as an account number if one has yet to be established at the receiving firm.

In some cases, the company retirement plan may allow you to provide them the distribution/rollover information directly on the phone. In this case you'll want to have already determined the custodian for the IRA/ROTH IRA you are sending the funds to. Some financial professionals may even be willing to assist in a 3-way call with you and the plan provider/investment company if you need additional assistance. Plan providers typically process the rollover checks in one of two ways:

1. It is strongly suggested that you request a direct transfer (i.e., a "trustee to trustee" transfer) of your 401(k)-plan account balance to avoid delays and potential tax penalties. The check will be mailed directly to your new investment provider. In this case, your investment company should reach out to you either by phone or email to let you know when the money is deposited into your new account.

2. You will receive a check via mail directly to your address, payable to: "new investment custodian FBO (for benefit of) your name." If you receive the check mailed directly to you, you'll want to get that to the investment firm you are working with to ensure a smooth transfer of your 401(k)-plan account.

When working with your financial professional or new investment account provider on a rollover from a company sponsored retirement plan, it is necessary to confirm whether you have been contributing to a ROTH option in your plan, as this will require a different account set up than the pre-tax contribution/traditional 401k contributions. These two funds cannot be co-mingled.

In addition, you may have purchased company stock within your plan. Depending on how this was purchased and the tax treatment of this money, you may want to leave that portion in the plan. Combining these stock purchases with the rest of the pre-tax contributions could result in losing favorable tax advantages. For this reason, it's a good idea to speak with your former employer's plan representatives as well as a professional and provide clear statements that lay out all the accounts and contributions you have in your retirement plan.

The process for simplifying your finances and consolidating these types of accounts doesn't have to be complicated. By following a few simple steps and paying attention to what you are moving and to where, you should have a smooth and frictionless experience. When in doubt, work with a qualified professional for guidance and support.

When considering rolling over the proceeds of your retirement plan to another tax-qualified option, such as an IRA, please note that you may have the option of leaving the funds in your existing plan or transferring them into a new employer's plan. You may wish to consult with your new employer, if any, to learn more about the options available to you under your plan and any applicable fees and expenses. You may owe taxes if you withdraw funds from the plan. Please consult a tax advisor before withdrawing funds.