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401(k)-Monthly Newsletter

Nolen Bailey, Director of Retirement Plan Services **September 2014**

Are you within a few years of retirement? Time right now to get your financial house in order, and here's what to include on your pre-retirement financial checklist.

401(k)s. You need to determine if you want to leave the plan and its assets with your soon-to-be-former employer, roll assets into an individual retirement account or take a distribution (the last choice likely results in a hefty tax bill).

Do you have company stock options you didn't exercise? Check the regulations to formulate your options. Special rules on net unrealized appreciation may also apply to company stock that increased in value while in your 401(k).

Your 401(k) plan might be your largest and most significant employee benefit but consider others as well. Does your company offer any retiree medical coverage? Can you continue other benefits at reduced group rates?

Determine Social Security benefits. You can start taking Social Security at age 62 – but doing so significantly reduces your monthly benefit as opposed to waiting until your full retirement age (67 for anyone born after 1960).

If you wait until 70, your benefit level continues to grow. If you're married, plan for the benefits of both you and your spouse.

Review financial resources. Over the course of your working life, you likely accumulated a variety of investments and other assets that can fund retirement:

- Your 401(k) or similar retirement plan, such as a 403(b) if you worked for a tax-exempt organization or other defined-contribution plan.
- IRA accounts, both traditional and Roth.
- A pension.
- Stock options or restricted stock units.
- Social Security.
- Taxable investment accounts.
- Cash, savings accounts, certificates of deposit and similar savings vehicles.
- Annuities.
- Cash value in a life insurance policy.

You can start taking Social Security at age 62 – but doing so significantly reduces your monthly benefit as opposed to waiting until your full retirement age (67 for anyone born after 1960).

Determine how much you need. Basically, put together a budget. Will you stay in your home or downsize? What activities do you want to engage in? What will your basic living expenses be?

Compare this with income that your various retirement resources might generate and you get a good idea if you can support your desired lifestyle in retirement. Further, plan which financial resources and accounts to tap at various stages of your retirement.

The golden years can be a great time of life but you need proper planning to help build your financial success.
Roger Wohlner, AdviceIQ (2014)

What to do with your old 401(k)?

Don't know what to do with your old 401(k)? Few would blame you if that were the case after you changed or left your job. After all, you have at least six options.

Consider: You could leave your 401(k) in your former employer's plan; transfer it into your new employer's 401(k); roll it over into an Individual Retirement Account (IRA); take a lump-sum distribution; or make a Roth conversion or an in-plan Roth conversion.

Consider, too, that deciding what to do with the money in your account when switching jobs or retiring should not be taken lightly. In fact, new research from the Employee Benefit Research Institute (EBRI) suggests that it's one of the most important decisions that workers with 401(k)-type retirement plans face.

Leaving money in a company plan

Advantages:

There's federal creditor protection for plans covered by Employee Retirement Income Security Act of 1974 (ERISA). By contrast, there's just creditor protection at the state level for IRAs and that protection is uneven at best. In some states it's very strong. In other states, however, it's is relatively weak, Levine says. "You need to check with your state regarding protection issues," says Cutter. "This becomes very important for high-income professions who have a lot of legal exposure such as doctors, business owners."

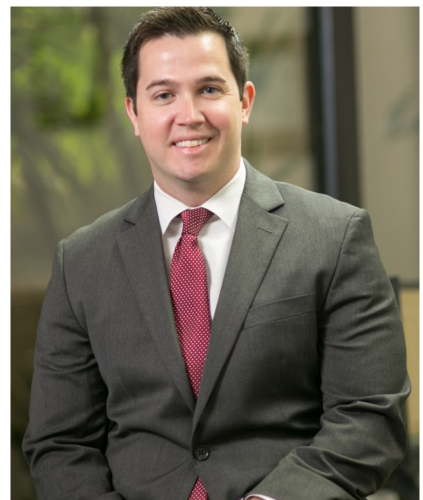
You can defer taking required minimum distributions (RMDs) beyond 70½, if you are still working for the company sponsoring the plan, are not a 5% or greater owner and the plan allows it, says Levine. "No such exception exists for IRAs, including SEP IRAs," says Levine.

The IRA rollover

Advantage:

Generally, you'll have a much wider choice of investments, including ones that protect you in bad times helping to avoid market losses, says Cutter. "This is extremely important for my pre-retired and retired clients who cannot suffer losses like they did in 2001-2002 and 2008," he says. By contrast, company-sponsored have a limited number of investment options, some of which don't protect you from market losses.

Robert Powell, Retirement Weekly (2014)



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