

What to do with your retirement funds when you change jobs

There are many new challenges to face if you happen to be changing jobs or retiring – not the least of which is the decision of what to do with the retirement funds that have accumulated in your 401(k) and other retirement plans over the years of service with your employers. These decisions may have a significant impact on your future financial security in retirement.

Option 1) Your employer hands you a check for the amount in your retirement plan. This may look like a bonanza, but selecting this option could be a mistake. First, your employer is required to withhold 20% from your lump sum distribution, so you will only receive 80%. Second, if you are younger than 59 1/2, you may be subject to a 10% additional federal income tax penalty for early withdrawal. Third, you are liable for paying income taxes on the full amount—if you fail to rollover your funds into an IRA within 60 days.

Option 2) Leave the money with your old employer. If you have more than \$5000 in your former employer's retirement plan, you can usually leave the money where it is. (Check with your employer.) The advantage of doing this is that it relieves you of making a decision for the time being while maintaining the tax deferral of your assets. The downside is that you are limited to the investment choices offered by your ex-employer—or even fewer choices, since some companies have additional restrictions for non-active employees. Additional disadvantages are that you cannot make new contributions to your account.

Option 3) Move your retirement money to your new employer. This option only works if you are moving to another job. Even then, your new employer may not accept rollovers from a previous plan or may impose a waiting period. Also, the investment options offered by your new employer may not be as extensive as you want. The benefit is that you maintain your assets' tax deferral and benefit from the convenience of having your assets in one place.

Option 4) Put the money into a traditional IRA Rollover. By having your former employer's retirement plan pay the IRA custodian directly, you avoid the 20% withholding or any penalties. There are numerous benefits to your own IRA Rollover:

- A wide choice of investment opportunities—you can select the stocks, bonds, mutual funds or other investments that are right for you.
- The ability to withdraw without penalty for some purposes. Withdrawals can be made without penalty by taking a series of substantially equal periodic payments for at least five years or

until after you reach age 59 1/2. Withdrawals are subject to normal income tax treatment and may be subject to an additional 10% federal income tax penalty. Thus, if you are planning to retire before you reach age 59 1/2, this method can enable you to dip into your IRA Rollover without penalty. Please note, there may be other eligible retirement plans which can accept funds.

Contact your financial professional to explore the details and decide if an IRA Rollover is right for you. Please be advised that this document is not intended as legal or tax advice. Accordingly, any tax information provided in this document is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax information was written to support the promotion or marketing of the transaction(s) or matter(s) addressed and you should seek advice based on your particular circumstances from an independent tax advisor. AXA Advisors, LLC and AXA Network, LLC do not provide tax advice or legal advice.

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