

Top Reasons to Roll your Eligible Retirement Plan (401(k), 403(b), 457(b), Lump Sum Pension, etc) to an Individual Retirement Account (IRA)

- 1) You cannot contribute to your current employer sponsored retirement savings plan once you terminate your employee relationship. You can continue to contribute to an IRA assuming you have eligible earnings.
- 2) You have numerous investment options available inside an IRA that may not be available inside your current retirement plan. These options include: mutual funds, ETF's, Stocks, Bonds, CD's, Annuities, Wrap accounts, etc. You potentially have more options for diversification outside of your current employer plan. You may be able to convert your company retirement account to a Roth IRA. You would pay tax on the pre-tax contributions and earnings prior to conversion. Roth IRA's allow for tax deferred growth of your money and distributions are federal income tax free assuming you have met the criteria. You do not have to take Required Minimum Distributions at 70 ½ with a Roth IRA and money can pass to your beneficiaries federal income tax free.
- 3) You can set up a Stretch IRA allowing your beneficiaries to defer distributions and income taxes over the lifetime of the oldest beneficiary.
- 4) You can access your IRA money at any point. You may have a penalty if under age 59 ½, but you have access. Company retirement plans tend to be more restrictive. As an example, you may only be able to access your money from your employer sponsored plan via avenues like hardship withdrawals.
- 5) You can change your IRA beneficiary at any point to whomever you choose. Most retirement plans require notarized spousal consent to change beneficiaries.
- 6) If your previous employer files for bankruptcy protection, you may have issues accessing your money.
- 7) Your previous employer can switch or merge its retirement plan at any point leaving you with the previous plan. Expenses can be raised and you may be left acting on your own behalf.

There are certain instances where it may not make sense to roll your employer plan assets to an IRA. For example, withdrawals from a retirement plan if you separate from service after age 55 are not subject to the 10% tax penalty. If some of your retirement plan assets are invested in employer stock, there are special tax benefits available for such stock distributions which are lost if rolled over to an IRA. You should consult your tax advisor regarding your particular situation. Prudential Financial nor its Financial Professionals render tax advice.

