Is It Time To Move Money From Old Retirement Plans?

Over the course of their lifetime, the average American changes jobs 12 times and works for 5-7 different employers[1]. If this rings true for you, you may be among the millions of people who have started 401(k) or 403(b) plans with multiple companies over the years.

If you have money sitting in those old workplace retirement plans, you may be wondering what to do with them. There are three primary actions to consider:

- Roll over the funds into an IRA
- Keep your accounts with your former employer
- Roll your old accounts into your current employer's plan

Here's what you should know about each option.

Roll over the funds into an IRA
All too often, it becomes easy to forget about your retirement accounts that were established through savings plans offered by previous employers. The longer you are away from that job, the more removed you may become from the retirement plan that you left behind.

One popular option to consider is to roll any "orphaned" workplace retirement plans into an IRA. This can help you consolidate assets in a single account and keep better tabs on how the money is invested and how those investments are performing.

Among other reasons to consider moving money from a workplace plan to an IRA:

- You typically have a much wider choice of investment options in an IRA. In most workplace plans, the investment universe is limited.
- With an IRA, you own the account. This is in contrast to a 401(k) where you are a participant in a plan, but not the account owner.
- Having all of your retirement savings in a limited number of accounts makes it easier to manage your asset allocation strategy. You'll feel more confident that your investments are working well together.

If you are past age 59 1/2 and have money in a workplace retirement plan where you currently work, your employer may offer the option to roll some or all of the money from that plan to an IRA. This so-called "in-service distribution" allows you to move assets to an IRA even while you continue to work with your employer. In some cases, your ability to continue to contribute to the workplace plan may be suspended for several months if you utilize the in-service distribution option.

Keep your accounts with your former employer
In some instances, it may be advantageous to retain money in your existing 401(k) or 403(b) plan. This is most beneficial if:

- Company stock is included in the plan. There may be more tax-advantageous ways to access those assets when you take distributions from the plan;
- If you stop working at age 55. You have the ability to access money from your workplace plan without incurring a 10% penalty (normally, you must wait until age 59-1/2 to avoid a penalty); or
- You intend to keep working beyond age 72. If that's the case, money in your workplace plan is not subject to required minimum distribution (RMD) rules until you actually stop working. However, traditional IRAs are still subject to RMDs even if you remain employed.

Roll your old accounts into your current employer's plan
Not all employers will accept 401(k) or 403(b) rollovers from a previous employer's plan, so check with your new employer before making any decisions. If the option is available to you, benefits may include:

- Your money will have the chance to continue to grow tax deferred.
- Having only one retirement account can make it easier to manage your retirement savings.

But before making this decision, make sure to fully understand the rules of your employer's plan and consider the range of investment options available within it.

Assess your circumstances carefully
Should you leave it or roll it? The answer depends on your own circumstances. Talk to your financial advisor about the best strategy for your retirement savings. Be sure to consult with your tax advisor as well to make sure you understand the tax consequences of any decisions you make.

[1] U.S. Bureau of Labor Statistics, 2019. "Number of Jobs, Labor Market Experience, and Earnings Growth: Results from a National Longitudinal Survey."

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