To Roll or Not to Roll

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Explore different retirement plan distribution options and learn how your choice may affect your nest egg.

One of the biggest decisions you face is what to do with the money set aside in a qualified employer plan when it is time for you to change jobs or retire. The chart below outlines some key advantages and disadvantages based on which retirement plan distribution option you choose:

Potential Distribution Options	Advantages	Disadvantages
Cash out[1]	■ Cash is available for an immediate need	■ Your distribution may be subject to a 10% premature distribution penalty if you're under age 59 ½ ■ An additional 20% federal income tax withholding will apply ■ Savings will be severely reduced
Leave money in existing plan.	■ Avoid paying taxes or penalties ■ Savings will continue to grow tax-deferred	■ Withdrawals and distributions are subject to your former employer's plan provisions. ■ Your former employer may have the authority to change or control your investment options, which could prove as a disadvantage when trying to diversify.
Roll money over to new company's qualified retirement plan.	■ Avoid premature distribution penalty[2] ■ Savings will continue to grow tax-deferred	■ Withdrawals and distributions are subject to your new employer's plan provisions. ■ Your investment options will be restricted to those offered by new plan
Roll money over to an IRA.	■ Avoid paying taxes or penalties[2] ■ Savings will continue to grow tax-deferred ■ You have control over where to invest your retirement savings, an advantage when it comes to diversification	■ You may not be able to roll over your entire distribution. Check with your employer for roll over provisions.

Making a good decision about retirement plan distributions is an important part of sound retirement planning. Keep in mind that the retirement plan distribution option you choose is generally irreversible, which is why you should consult with a financial representative for advice specific to your circumstances. Don't let this decision stand in the way of your retirement dreams, start planning today!

1 Distributions of earnings and deductible contributions from your IRA are subject to ordinary income taxes and if made prior to age 59½ may be subject to an additional 10% federal income tax penalty.

2 The rollover must be completed within the prescribed 60 day period; otherwise the distribution will be subject to ordinary income taxes and may be subject to a 10% early withdrawal penalty. Unless funds are directly rolled from an employer's qualified retirement plan to an IRA, or to your new company's qualified plan, a mandatory 20% federal income tax withholding is generally required from distributions.