Word Count 948

Sample article for organizations and employers to use to reach employees, customers and members

Customize and provide the following article in your communication vehicles.

Leaving your job? What can you do with your retirement plan balance?

If you are leaving a job where you have a retirement plan that is not a defined benefit (pension) plan, you generally have four options for what to do with the balance in your account:

1. **Leave your money in the plan**

   You may want to keep the balance in your old plan, especially if you:

   - like the plan's investment options,
   - the plan has low fees, or
   - you want to move the balance to a new employer's plan down the road.

   If your plan balance is more than $5,000, you can leave it in your old employer's plan. If you have less than this amount, ask your employer if you have to move the balance, in which case consider rolling it over to a new employer's plan or an IRA.

2. **Rollover to a new employer's plan**

   If you're starting a new job, check if your new employer's retirement plan allows you to move the balance from your old plan into the new plan. However, you should consider the following:

   - Does the new plan have better investment options than your old plan?
   - How do the new plan's fees compare to the old plan's?
   - Is it better for you to consolidate your retirement savings into one plan so you have fewer accounts to track?

3. **Rollover to an IRA**

   Most IRAs offer a wide range of low-cost investment options, and rolling over your plan balance to an IRA allows you to consolidate all your investments, making them easier to track.

   You can roll over the old plan's balance to a traditional or a Roth IRA. If you roll over to a Roth IRA, you have to include the untaxed amount in your gross income in the year the plan's trustee directly transfers the money to the Roth IRA or makes a distribution to you, which you then deposit to the Roth IRA within 60 days of receipt. However, withdrawals from this Roth IRA could eventually be tax-free if you meet certain conditions.

4. **Withdraw the balance**

   You can withdraw your balance by requesting a lump-sum distribution. However, you will not only have less saved for your eventual retirement but you likely have to pay income tax on any previously untaxed amount that you receive. You may also have to pay an additional 10 percent early distribution tax if you are not at least 55 years old (59½ years old for a SEP or SIMPLE IRA plan). If the withdrawal is from a SIMPLE IRA plan within 2 years from when you first participated in the plan and you are not at least 59½ years old, the additional 10 percent early distribution tax is increased to 25 percent.

If you withdraw your balance, you can always change your mind and roll it over to a new employer's plan or to an IRA within 60 days of receiving the distribution.

How can you roll over the old plan's balance to a new plan or to an IRA?

There are two ways to move your old plan's balance to a new plan or to an IRA. You can:

1) ask the old plan's trustee to directly transfer the balance to your new plan or to an IRA, or

2) request a lump-sum distribution of the balance from the old plan and then deposit it into the new plan or IRA within 60 days of receipt. However, the old plan usually withholds 20 percent for federal income taxes from the distributed amount, so unless you make up the withheld amount when you deposit the distribution into the new plan or IRA, you:

    a. have to include the withheld amount in your gross income in the year the distribution was made; and

    b. may owe an additional 10 percent early distribution tax on the withheld amount if you are not at least 55 years old (59½ years old for a SEP or SIMPLE IRA plan). If the amount withheld was from a SIMPLE IRA plan distribution, the additional 10 percent early distribution tax is increased to 25 percent if the distribution was made within 2 years from when you first participated in the plan and you are not at least 59½ years old.

If your distribution includes property, you can either roll over the property to the new plan or IRA or sell the property and roll over the proceeds. In either case, the deposit into the new plan or IRA must be made within 60 days of receipt of the distribution.

NOTE TO EDITOR: Below are helpful resources on retirement topics on IRS.gov:

- Rollover chart – information on what retirement plan balances you can move and to what types of other plans or IRAs.
- Chart showing exceptions to the 10-percent additional tax – when you don't have to pay the 10-percent additional tax on distributions from IRAs and retirement plans.
- Life Events That Can Affect Retirement Savings – retirement savings information and tips for every stage of your life, including information on options when you terminate employment and distribution taxes.

- Retirement Plans FAQs – answers to frequently asked questions about IRAs, retirement plans, moving money, receiving distributions and more.
- Types of Plans – information on various types of retirement plans.
- Publication 560, *Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans* – information on when and how you can move money from a retirement plan and taxes on distributions.
- Publication 590, *Individual Retirement Arrangements (IRAs)* – information on traditional and Roth IRAs.