Changing Jobs?

What to do with your retirement savings plans?

Going to work for a new employer presents many opportunities and decisions, particularly concerning employee benefits. But don't forget about some of your former employer's benefits, such as vested amounts in your retirement plan accounts. When you leave an employer, you have several options for vested amounts in those accounts.

Leave Your Retirement Account With Your Old Employer

In many cases, you may be allowed to keep your retirement account with your former employer. You might consider this option because of the investment choices offered in the old plan, or perhaps the plan costs for you to leave your account there are low. This option gives your account the opportunity to continue to grow in value over time.

Roll Your Retirement Account to Your New Employer's Retirement Plan

Another option that may be available to you is to roll vested funds in your old retirement account into your new employer's retirement plan. Not all employer plans accept rollovers, so check with your new HR department about your options. You will avoid any negative tax consequences such as early withdrawal penalties. You might consider this option if the new plan has lower fees, or you want to consolidate your retirement accounts, which will mean fewer statements, tax forms, etc. This option also gives your account the opportunity to continue to grow in value over time.

Roll Your Retirement Account to an IRA

Consider rolling over vested funds with your former employer's retirement account to an IRA. There is no limit on how much you can roll into an IRA and doing so avoids any negative tax consequences (such as early withdrawal penalties). You might consider a rollover IRA if you want to increase the number of your investment options, as some IRAs may have more choices than an employer plan. This option also gives your account the opportunity to continue to grow in value over time.

Cash Out Your Retirement Account

One other option you have is to cash out or withdraw your retirement account. This approach is the least friendly in terms of income taxes. You will pay income tax on the amount of your withdrawal, and depending on the amount of the distribution, you may be pushed into a higher tax bracket. If you are under age 59 ½, you may also face an early withdrawal penalty of 10% on the amount withdrawn.

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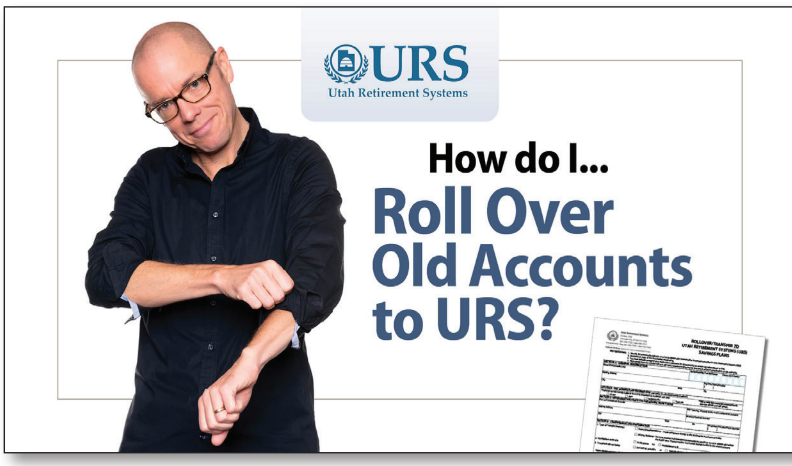
This penalty amount is in addition to the income tax itself. In terms of your eventual retirement, cashing out funds in a retirement account now means losing potential investment growth while you continue to work and thus lost potential income while in retirement. While it may be tempting to “take the money and run” now, later on at retirement many people regret that decision. Keeping a retirement account intact now by using one of the first three options above helps to make living a well-funded retirement that much more likely in the future.



For more information about rolling a former employer’s retirement account to URS, go to **www.urs.org/us/rollover**

What is a Vested Amount? “Vesting” in a retirement plan means ownership. An employee who is 100% vested in their account balance owns 100% of it and the employer cannot forfeit, or take it back, for any reason. When an employer contributes to your 401(k) plan as part of your retirement benefit, it may require a period of time before you are fully vested.

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