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Welcome, my name is Andrew Baron, and this is Well... It Depends! The podcast where I present the pros and cons of different financial decisions so that you, the audience, feel better informed when you're confronted with these decisions in your own life. In this episode, I asked the question, Should I roll over my current 401K? But before we begin a short disclaimer. This is being recorded on March 14th, 2023.

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Please note the information provided in this podcast is strictly for educational purposes only and is not to be considered investment, tax or legal advice. It is important to consult with a professional before making any financial decisions as the strategies discussed may not be suitable for you specifically. Some 401K plans allow their participants to roll over some or all of their account balances to outside accounts upon reaching a certain age requirement and tenure with the company.

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As we will see, there are both pros and cons to this. First, let's explore the pros of rolling over your active 401K to an IRA. One of the main advantages is greater control over your investments. With an IRA, you have a wider range of investment options than you do with a 401K, which can be limited to a small number of investment choices.

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This flexibility can be particularly useful if you want to invest in certain stocks, bonds or other assets that are not available through your 401K. Additionally, if you roll over your 401K to work with the financial advisor, you may receive additional services such as taxes and comprehensive guidance that are not offered in 401K plans. Another pro to consider when deciding to roll over your 401K is the potential to consolidate your retirement accounts before reaching the age of required minimum distributions or RMD's. RMD's are the minimum amount of money you must withdraw from your retirement accounts each year, beginning at age 73. With a 401K, you must take RMDs from each individual account you have.

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While an IRA, you can aggregate the balances all the accounts and then take the distribution from any or all of them. This can make it easier to manage your retirement income and potentially save you from money missed and distribution penalties. Of course, there are also some potential downsides to rolling over your active 401K account to an IRA.

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One of the main cons is that you may lose access to certain investment options or features that were available to your 401K account. Such as low cost, institutional share classes and loan provisions. Some mutual fund share classes require millions of dollars to purchase, which puts them out of reach for some individual investors. But these are available inside of 401K plans.

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Additionally, 401K plans may allow loan options, which allows for additional place to borrow, which is unavailable in IRA's. Another potential disadvantage is that rolling over your 401K account to an IRA may make it more difficult to access funds if you need them before retirement age. 401K plans generally allow penalty free withdrawals after 55, while IRA withdrawals for 59 and a half may be subject to a ten and a half percent early withdrawal penalty.

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To recap, pros of rolling over your active 401K include greater control over your investments, additional services which may be provided if you choose to work with a professional advisor and consolidating your retirement accounts before reaching RMD age. This can prevent accidental penalties from failed distributions. Some of the cons are losing access to certain investment options or loans which are available and for one case.

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And for those looking to retire early, 401K plans allow access to funds at age 55 compared to 59 and a half for IRA's. Remember, there's no one size fits all answer. Be sure to consider all the pros and cons and consult with a financial advisor before making any decisions. So to answer the question, should I roll over my current 401K?

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Well... It Depends!

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