

Rollovers

It's easy to make your money keep working for you.

When You're Moving On

You've worked hard to grow your retirement savings. Each payday you've made a conscious decision to build toward a secure and enjoyable retirement. Now you find yourself at a career crossroads — maybe moving to another job, maybe just taking some time to yourself — and you find that another conscious decision is required: *“What do I do with that money now?”*

Essentially, you'll have two options for your tax-qualified savings:

- Take a cash payout, or
- Roll over your account balance to a new tax-qualified plan.

A Payout Example

Account Value	\$5,000
IRS Penalty for Early-Withdrawal	-\$500
Federal Income Tax	-\$1,400
State Income Tax	-\$450
Net Distribution	\$2,650

Assumption:

The scenario above is for illustrative purposes only; actual penalties and tax rates will vary based on individual circumstances.

While the lure of cash is surely tempting, consider the consequences.

Taking Cash Is Costly

When you take a payout from a tax-deferred savings plan you end up paying for that decision in numerous ways.

- First, and most apparent, this cash payout will be subject to all applicable federal, state and local taxes (including a mandatory 20% withholding for the federal taxes).
- Second, you may owe the IRS a 10% early-withdrawal penalty if you take this withdrawal before you reach age 59½.
- And finally, you'll lose the effect of compounding, which is money you earn on money you've already earned.

In choosing cash, you can dramatically reduce your long-term earning potential and negatively impact your retirement savings.

Rollover Retains Momentum

When you put your funds directly into another tax-qualified account, like an Individual Retirement Annuity (IRA) or a 403(b) Tax-Sheltered Annuity (TSA), you can keep that money working for you rather than losing it to taxes and penalties. By rolling this money into another plan, rather than spending now what you've earmarked for the future, your nest egg will retain its potential and keep growing. And the effect of compounding your earnings is even more powerful when you have a larger account balance!

No matter the changes you encounter, keep on saving.

