

Retirement Plan Distribution Options: What You Need to Know

Planning a job change in the new year? When you leave a job or retire, you have four main options for your retirement plan balance. Each choice has different tax implications and long-term effects on your savings.

1. Leave Money in Your Old Retirement Plan

- **Pros:**
 - Keeps potential for tax-deferred growth
 - May offer institutional investments
- **Cons:**
 - Limited control
 - No new contributions
- **Tax Impact:**
 - No immediate taxes
 - Required minimum distributions (RMDs) start at age 73*

2. Roll Over to Your New Employer's Retirement Plan

- **Pros:**
 - Consolidates accounts
 - Maintains tax-deferred growth potential
 - May allow loans
- **Cons:**
 - Limited investment options
 - Plan must accept rollovers
- **Tax Impact:**
 - Direct rollover = no taxes
 - Indirect rollover = 20% withholding + possible penalty*

3. Roll Over to an IRA (Typically Most Flexible Option)

- **Pros:**
 - Wide range of investment choices (stocks, bonds, exchange-traded funds, alternatives)
 - Ability to consolidate multiple accounts
 - Continued tax-deferred growth potential
 - Potential for Roth conversions for future tax-free withdrawals
 - The ability to work with a financial advisor for personalized strategies
- **Cons:**
 - May have less creditor protection
 - Fees vary
- **Tax Impact:**
 - **Traditional IRA:** No tax now
 - **Roth IRA:** Taxable conversion, but future qualified withdrawals can be tax-free**

4. Cash Out (Take a Lump Sum)

- **Pros:**
 - Immediate access to funds
- **Cons:**
 - Significant tax hit and loss of future tax-deferred growth potential
- **Tax Impact:** Entire amount taxed as ordinary income plus a 10% penalty if under the age of 59½ (exceptions apply).
 - Hypothetical Example: Cashing out \$50,000 at age 45 in a 24% federal tax bracket and 3% state tax = \$12,000 federal tax + \$5,000 penalty + \$1,500 state tax = \$18,500 in taxes and penalties

*Some employer-sponsored retirement plans have a "still-working exception," which allows employees to defer their RMD until they terminate employment. However, if you are a 5% owner, you must begin RMDs by April 1 of the year following the year you turn age 73, regardless of employment.

**Earnings prior to 59½ or not held for a 5-year period may be subject to ordinary income tax and a 10% early withdrawal penalty.

Decisions to roll over or transfer retirement plan or IRA assets should be made with careful consideration of the advantages and disadvantages, including investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and your unique financial needs and retirement planning. Neither Stifel nor Stifel Financial Advisors provide recommendations with respect to your decision to move assets out of an employer-sponsored retirement plan. Once you inform your Stifel Financial Advisor that you have chosen to roll your retirement assets to an IRA with Stifel, your individual investment needs can be addressed. You should consult with your tax advisor regarding your particular situation as it pertains to tax matters. Stifel does not provide tax advice. You should consult with your tax advisor regarding your particular situation.



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