

Leaving Your Company

Retirement Plan Options

Your three distribution options

When you leave your job or retire, you may choose to leave your 401k plan where it is or you may want to look at other options such as rollovers into your new plan or a personal IRA.

Remember that any pretax contributions will be taxed when they are taken out unless you roll these funds directly into another retirement plan or a traditional IRA. Distributions from your plan may also have an impact on your income taxes.

1

Keep your account in the plan

By leaving your money in the plan, you may be able to take advantage of:

- Low fees to maintain the account and usually lower-cost investments
- Flexibility to withdraw funds when you decide you need them.

When you reach the age for taking required minimum distributions (RMDs) — typically age 73** — you will have to begin taking distributions, but you only have to withdraw a portion of your funds. Our coaches would be happy to help decide based on your individual situation.

**The RMD age is 72 for individuals who turned 72 on or before December 31, 2022. The RMD age is 73 for individuals who turn age 72 after December 31, 2022.

2

Rollover options

IRA and new employer plan

When considering rollovers, you may decide to roll over your account balance to an IRA with VisionPoint Advisory Group, or a financial institution of your choice. Any amount directly rolled over won't be taxed until you withdraw it. Many employees like this option because they have more flexibility over investment options and it can be easier to withdraw funds. Assuming that your new employer's plan allows for a rollover, you may also be able to combine your old plan into the new plan.

Rollover to Roth accounts

If you have some of your 401k invested in a Roth, the rollover options would be similar to the traditional 401k options. You will want to make sure that your new employer retirement plan has a Roth account before proceeding. Taxes will not be withheld automatically from your rollover distribution.¹



3 Take a distribution

Depending on your plan you may have withdrawal options available to you that would allow you to start receiving funds — either periodically or as a lump-sum distribution.

Keep these points in mind:

- There may be an automatic 20% withheld from your distribution for income taxes
- In addition to federal income tax, you may have state and local income tax due on the distribution.
- In addition to income tax, you may owe a 10% penalty if you withdraw funds prior to age 59 1/2. This penalty doesn't apply to 457 plan contributions.

Periodic payment

Once you've determined how much income you'll need during retirement, you can take distributions directly from the plan — typically offered as an annual payment or monthly payments. You want to use caution that you don't withdraw funds too quickly using this option so that your retirement funds last throughout your retirement. You may be allowed to take your distribution either as a dollar amount or a percentage of the account balance.

Lump-sum distribution

Partial

Take out a portion of your balance at any time whether or not you are taking a periodic payment.² You may elect partial lump-sum payments at different times, or a series of partial lump-sum payments, as you need.

Full

The entire value of your account will be distributed. You can roll over all or a portion of your account to another qualified plan or have the distribution paid to you (which may mean significant tax impacts).

If you'd like to talk about your options with a VisionPoint financial coach, please feel free to contact us at (972) 361-1001.

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