UNITE CREDIT UNION

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Should You Roll Over Your Retirement Plan When You Retire?

When a person retires with a company retirement plan, it's important to know the pros and cons of rolling over to an IRA vs. leaving your money in the plan. And you won't come up with the same answer for everyone. Here are some pros and cons of leaving your money in the company retirement plan when you retire vs. rolling it over to an IRA, according to Kiplinger.

For example, if you retire between the ages of 55 and 59½, and you need to take money out of your retirement plan to pay off your mortgage, in most cases it would be far better to leave your money in the company plan, at least until you take this withdrawal. This is because you can pull the money out without a 10% penalty, unlike with an IRA.

Or, if you plan on getting new employment, you may want to leave the money in the company plan so you can roll it over to the new employer's plan. In most cases, this would allow you to delay taking required minimum distributions (RMDs) at age 73 because you're still working.

Also, if you have access to good investment advice through your company plan or make your own investment decisions, generally the fees on the investments are going to be lower than buying the same type of investments in an IRA through a financial adviser.

When leaving your money in the company plan makes sense

Company plan assets also receive federal creditor protection, whereas state law protects IRAs, with some states offering little or no creditor protection against things like lawsuits, divorce, and other creditor problems. If your state is weak on creditor protection and you have legal or creditor problems, you may be better off leaving your money in the company plan.

On the other hand, doing a rollover to an IRA would allow you to have a much broader choice of investment options to choose from rather than being stuck with a limited number of investments offered by a typical company plan.

And in most cases, former employees generally receive far better service and more professional advice from financial advisers compared to some inexperienced phone representatives where the company plan has been outsourced to a third party.

For the charity-minded, a qualified charitable distribution (QCD) is a way to take part of your RMD tax-free if you're giving the funds to charity.

Remember, if you don't itemize, your charitable giving is no longer deductible, but the QCD creates the same end result even if you don't itemize. This powerful tax advantage can be made only from an IRA, so it's lost if the funds remain in your company plan.

IRAs handy for combining different retirement accounts

The IRA is also a handy place to consolidate and simplify all the different retirement accounts into one IRA or perhaps one IRA and one Roth IRA. This is a huge advantage in a situation where you're having to keep track of several retirement plans, along with the beneficiary withdrawal options on each plan, the statements for each plan, the passwords for each plan, and so on.

Lastly, with company plans, in most cases, employees have to take their RMD from each plan separately, whereas IRAs can be consolidated for calculating RMDs, which can really help simplify the process. For example, IRA owners can take their RMD for all of their IRAs from just one of several IRAs.

So, if you're in the valley of decision on whether or not to roll your company plan over to an IRA, start by reviewing this list of pros and cons, and then reach out to us if you have any questions.

[Article source.]

About UNITE Credit Union

UNITE Credit Union was established in 1955, and since then has provided financial services to the students, parents of students, alumni, faculty, staff & retirees of the University of Northern Iowa; the employees, families & retirees of MidAmerican Energy & the students, parents of students, alumni, faculty, staff & retirees of the Cedar Falls School District.

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