



Rollover Education is Important

I want to spend a minute discussing one of the most important decisions a person makes... That is the decision about what to do with their retirement plan when they change jobs.

Please reach out to me if you or someone you care about is interested in learning more about the pros and cons of a Rollover and all the options available.

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Making informed decisions about retirement is crucial to financial independence

In an era characterized by high job turnover, it is more important than ever for employees to carefully manage their retirement savings. With a significant portion of Americans withdrawing money from their 401(k)s when they change employers...

The Startling Reality

According to a recent study by the UBC Sauder School of Business, a concerning 41.4% of U.S. workers choose to withdraw money from their 401(k)s upon leaving their jobs. Even more alarmingly, 85% of these individuals cash out their entire account balance.

This decision can lead to significant consequences, such as tax penalties, reduced retirement savings, and a lack of financial independence in the long run.

The Importance of 401(k) Rollovers

In the face of high job turnover, employees must consider the long-term implications of their actions on their retirement savings. A 401(k) rollover is an invaluable tool for maintaining retirement savings when switching employers.

The Consequences of Cashing Out

Cashing out a 401(k) can lead to a variety of financial setbacks:

Tax Penalties: Early withdrawals from a 401(k) account, typically before the age of 59 and a half, are subject to a 10% penalty on the amount withdrawn. Additionally, the withdrawn amount is taxed as ordinary income...

Lost Growth Potential: By cashing out a 401(k), individuals lose the opportunity to grow their savings through compounded interest. Over time, this can result in a significant reduction in the total amount saved for retirement.

Reduced Retirement Security: Cashing out a 401(k) can leave individuals with inadequate savings for their retirement years, increasing the risk of financial insecurity in the future.

How to "Rollover" a 401(k)

Employees looking to preserve their retirement savings when changing jobs should take the following steps:

Research Options: Review the new employer's 401(k) plan and consider alternative options, such as rolling the funds into an IRA. Each option has unique features, fees, and investment choices that should be carefully evaluated.

Coordinate with Financial Institutions: To initiate a rollover, employees must communicate with their previous employer's plan administrator and the new plan or IRA provider.

Maintain Records: Keep a detailed record of the rollover transaction, including the transfer date, the amount rolled over, and the receiving institution. This information will be crucial for tax purposes.

Making informed decisions about retirement savings is crucial to pursuing long-term financial independence. By choosing a 401(k) rollover instead of cashing out, employees can avoid tax penalties and continue growing their retirement savings...

Questions about your employee retirement savings plan? Book a meeting with Gary by clicking the button below.

BOOK A MEETING WITH GARY



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