Growing and Protecting Your Net Worth

9 REASONS WHY YOU SHOULD MOVE AN OLD 401K TO A NEW IRA

Company sponsored 401k Plans have helped many individuals save money for retirement, but when you leave the company, should you still keep your money there? You can actually have more flexibility and better management options by moving it to an IRA.

1) In a 401k, the individual employees make investment decisions for their accounts even though they may not have adequate financial experience or professional advice. An IRA can be managed by skilled financial professionals using the best financial resources available.

2) The investment choices in a 401k are limited to the list of funds in the plan. While some might be quality choices, an IRA will have the entire universe of investments available.

3) The 401k limits your ability to make account changes by restricting the number of trades you can make. An IRA will not have limits on trading, so your account can be changed as needed to take advantage of market trends or avoid losses.

4) The 401k cannot be managed using sophisticated strategies because of the limitations on fund choices, trading, and professional management. An IRA can employ all important financial management strategies.

5) An IRA can use principal protected products that will guarantee your principal and some of the gains so that you are assured this money will be available when you need it, regardless of market downturns.

6) The IRA will allow investments to grow tax-deferred, just like the 401k.

7) The tax benefits of a 401k can be lost if the plan is not in compliance with IRS or other regulations. If a 401k plan is disqualified by the IRS, the employee accounts become taxable – individuals with money in the plan would have to pay tax on their contributions and gains, and this account could never be rolled over into an IRA in the future. Current and former employees can be penalized for mistakes made by the employer sponsoring the plan.

8) After age 70 ½, Required Minimum Distributions (RMD's) must be taken from tax deferred accounts. If you have multiple IRA's, you can choose from which of your accounts to take the withdrawals based on the performance of your various accounts. The RMD for a 401k, however, can only be taken from that account. Financial management works better when you can choose from which accounts to take your withdrawals.

9) With proper beneficiary planning, income form an IRA can be stretched to last the lifetime of a spouse and even extended through the lifetime of the next generation of beneficiaries. These benefits are not available for inherited 401k's.

An IRA provides more options for growing and protecting your retirement money so that you will have as much as possible available when you need it.

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