

Safe Money Advisory



Rolling Over Retirement Money: Good or Bad?

**Houston, Texas
For Immediate Release**

When leaving an employer at retirement, changing jobs, down-sizing or starting your own business, leave behind only what belongs to your ex-employer. That means not forgetting your retirement plan money! About forty percent of departing employees, ages 60 to 65, leave their retirement money behind in former employers' plans. They cite several reasons: loyalty, hassle of transferring, fear of managing the money or bad advice. There are many good reasons why you should take your retirement money with you, but we'll discuss only the very important ones.

First, the fees and charges associated with an employer's plan are relatively high and, unbeknownst to many employees, are not paid by the employer but by the employees. If you move the money, you can invariably lower the fees. Lower fees can add up to serious money over long periods of time. For example, let's say you are now paying 1.75% annual fees on your mutual funds managed inside the employer's plan. You can transfer these moneys to a low-load or no-load account under your control and pay a fraction of the fees. The savings of 1.75% on \$100,000 annually over a ten year period amounts to about \$22,000 if you assume an earnings rate of 5%. Don't fret about the loss of investment advice, because you were getting none from the broker or company managing the employer's plan. You've lost nothing except the fees.

You'll generally find that your employer's retirement plan has a limited number of investment options, mostly mutual funds (or variable annuities) and possibly the stock of your employer. By transferring your money and assuming the responsibility for management, you can increase the investment options to a virtually unlimited number. In fact, you'll be able to select mutual funds, annuities, stocks, bonds, bank CDs, real estate, precious metals, and many other choices except life insurance. This means you can move your money from "risky places" like stocks, bonds, mutual funds and variable annuities to "safe places" like bank CDs, fixed annuities and government savings bonds. Sadly, most employer retirement plans do not provide lower risk alternatives for those nearing retirement age. The consequence is that many in retirement's red zone have their plans derailed by a market meltdown. Remember 2000-2002 and late 2007-present?

Most faced with the "move it or leave it" decision are needlessly concerned about tax consequences. You can transfer your money tax-free from a company-sponsored retirement plan to your control with a trustee-to-trustee transfer. You simply direct your employer to transfer your money directly to another trustee (annuity company, bank, brokerage firm, etc.) that you have chosen. If you have the money sent directly to you, there is a 60-day time limit to get it to the new trustee and taxes may be withheld that can be recovered only when you next file your tax return. Trustee-to-trustee transfer is the way to go. There should not be a charge to move your money or to open a new account with another trustee. If you are still concerned about transferring and want to make doubly sure that no mistake is made that triggers taxes, ask a financial advisor for help. In fact, it is always prudent to find and use a financial advisor to help you plan a safe and secure retirement.

One last word of caution: if your employer has provided you a "lifetime pension" at retirement and you have a lumpsum settlement option, you'll need to do some homework. Specifically, find out how much your lump-sum settlement will be and have your financial advisor shop the market for a lifetime income that can be purchased. You can then compare the outside option with your employer's lifetime income guarantee. Naturally, you'll want the advice of your financial planner, because the two options may involve other considerations that merit analyses. When you leave an employer and become an ex-employee – for whatever reason – **always take your retirement money with you.**

**Shelby J. Smith, Ph.D.
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