2021 · SHOULD I ROLL OVER MY DORMANT 401(K)?

MODERN WEALTH

Start Here

After reviewing your Summary Plan Description and investment options, are you satisfied that your plan is well-managed and meeting your needs?

Yes

Consider leaving your account where it is.

No

Consider rolling the 401(k) into an active 401(k) or IRA.

Now consider if any of these scenarios might apply to your situation:

None applies.

You have a 401(k) loan. If rolled over, the balance of the loan should be repaid by the due date of your tax return for the year you left your employer (including extensions).

Your account holds company stock. There may be special tax benefits utilizing Net Unrealized Appreciation options.

Consider rolling the company stock into a taxable brokerage account to minimize taxes.

You will pay income tax on the basis of the shares (and a 10% penalty if under 59.5).

You want the option to contribute to this account in the future.

You can only contribute to an active 401(k) account.

Consider rolling the 401(k) into an active 401(k) or IRA.

You will be, or soon will be, subject to an RMD due to reaching your RMD age (72 if you were born on or after 7/1/49, 70.5 if you were born before 7/1/49).

You could simplify the process by consolidating 401(k)s and IRAs.

Now consider if any of these scenarios might apply to your situation:

You are over the age of 59.5 and want income.

Distributions from a 401(k) or IRA are taxable as ordinary income but there is no 10% penalty.

You left your employer at the age of 55 or older (50 if in public service).

Consider leaving the assets at the 401(k) as you may qualify for a "separation from service" distribution.

Income is taxable as ordinary income but there is no 10% penalty.

You are younger than 59.5 and want income.

Consider these four options:

Systematic income 72(t). This feature is unique to IRAs and not available in 401(k)s.

Consider rolling the 401(k) into an IRA and elect substantially equal periodic payments.

Income is taxable as ordinary income but there is no 10% penalty.

Rollover to an IRA. Income taken from an IRA is taxable as ordinary income and may be subject to a 10% penalty.

Hardship withdrawal. This feature is only available if rolled into an active 401(k) account and only applies to qualifying expenses.

Consider rolling the 401(k) into an active 401(k) account that allows for hardship withdrawals.

Income is taxable as ordinary income and may be subject to a 10% penalty.

Take a loan. Loans are not available from dormant 401(k) accounts.

Consider rolling the 401(k) into an active 401(k) that allows for loans.

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