Retiring the Month with Mike - June Edition

Good Morning,

Before I introduce my second article of *Retiring the Month with Mike*, I wanted to thank all of you for the kind words you shared with me from my first post. They mean more than you know, and I hope to keep topics of interest coming your way! This month's topic I will be discussing: What to do with an old 401(k).

The world of personal finance and retirement planning can seem complicated at times, but when it comes to dealing with a 401(k) account from a previous employer, there are typically four options to consider. If you've recently changed jobs or are looking to consolidate your retirement accounts, here's an overview of your choices:

1. Roll the assets into your new employer's plan.

- ***PROS***: Managing all of your retirement assets in one place offers simplicity, making it easier to track your progress toward your retirement goals.
- ***CONS***: Not all employers will accept a rollover from another plan, so be sure to ask your new 401(k) plan administrator about any applicable rules or restrictions.

2. Leave the money in your old employer's plan.

- ***PROS***: If you like the investment options your old plan offers, leaving your money where it is will allow you to continue with that investment strategy.
- ***CONS***: Some employers require a minimum account balance to keep assets in the plan. Plus, your withdrawal options may be limited once you're no longer actively contributing to the account. (You may not be able to take a loan or partial withdrawal, for example.)

3. Roll the assets into an IRA.

- ***PROS***: An IRA generally offers access to a wider variety of investment options compared with typical employer plans. In addition, if you're under age 59½, IRAs allow you to take a penalty-free withdrawal for first-time home purchases or qualified education expenses.
- ***CONS***: You may face additional or higher account expenses, such as trading charges or annual fees. IRAs also offer less creditor protection under federal law than 401(k) accounts.

4. Cash out the account.

- ***PROS***: Although financial planners may consider this a last-resort option, taking your balance in cash gives you flexibility in using the funds—for example, if you need to pay for unexpected expenses or make a large purchase.
- ***CONS***: Cashing out your 401(k) will reduce your retirement savings, and you will have to pay federal (and possibly state) taxes on the money you withdraw, as well as an additional 10-percent penalty if you're under age 59½. It's best to explore all other options, including a home equity loan, before you cash out your 401(k) savings.

Thanks to the power of tax-deferred compounding, there is no better time than the present to begin your retirement savings to accumulate wealth over time. This includes a disciplined investment strategy tailored to your risk tolerance and investment objectives.

Disclosure: *If you are considering rolling over money from an employer-sponsored plan, such as a 401(k) or 403(b), you may have the option of leaving the money in the current employer-sponsored plan or moving it into a new employer-sponsored plan. Benefits of leaving money in an employer-sponsored plan may include: access to lower cost institutional class shares; access to investment planning tools and other educational materials; the potential for penalty-free withdrawals starting at age 55; broader protection from creditors and legal judgments; and the ability to postpone required minimum distributions beyond age 70 ½, under certain circumstances.*

If your employer-sponsored plan account holds significantly appreciated employer stock, you should carefully consider the negative tax implications of transferring the stock to an IRA against the risk of being overly concentrated in employer stock. You should also understand that Commonwealth and your financial advisor may earn commissions or advisory fees as a result of a rollover that may not otherwise be earned if you leave your plan assets in your old or a new employer-sponsored plan and that there may be account transfer, opening and/or closing fees associated with a rollover.

This list of considerations is not exhaustive. Your decision whether or not to rollover your assets from an employer-sponsored plan into an IRA should be discussed with your financial advisor and your tax professional.

In this month's featured, *Social Media Post*, Lobo & Pascale Wealth Management, LLC hosted its 9th Annual Client Cooking Event at Metro Bis Restaurant in Simsbury, CT with Chef Chris Prosperi. This year was an Italian theme and it was a huge success enjoyed by all. This event is a special thank you to the clients who have kept us in mind with referrals of prospects that would benefit from the services offered by Lobo & Pascale Wealth Management, LLC. Again, we would like to thank all of you who have referred a family member or friend to us as that is one of the greatest compliments you can gives us and very much appreciated!

Sincerely,

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