

Things You Can Do With an IRA but Not a 401(k)

While both 401(k)s and IRAs share some similarities as tax-deferred retirement savings vehicles, IRA accounts allow you to do some things you can't with a 401(k), such as:

Combine your RMDs. If you have multiple 401(k) accounts when you are 70½ or older, you'll need to take your required minimum distribution from each 401(k). But if you have multiple IRAs, you can combine the RMDs and take them from any single IRA account.

Opt out of withholding. Distributions from 401(k)s are typically subject to a mandatory 20 percent withholding. If you know your tax bill will be low or negligible, you can forego withholding on an IRA distribution, eliminating the wait to get the funds back when you file your taxes.

Take an early distribution. While it's best to avoid using retirement savings for other purposes, when the unexpected occurs, being able to access them can be a real gift – even if you must pay income tax and a penalty for an early withdrawal. This option is guaranteed under the law with IRAs; whether you have this same ability with your 401(k) depends on your plan's rules.

Use funds for higher education expenses. Although early withdrawals from pre-tax retirement accounts generally incur a penalty, there are legal exceptions for IRAs, including using funds for higher education expenses for yourself or your children.

Make a qualified charitable distribution (QCD). If you are 70½ or older, you may choose to send up to \$100,000 directly from your IRA account to a charity. Because the QCD is not counted as income, it may lower your tax bill more than if you take a distribution and make a separate donation. Plus, the QCD can offset part or all of your RMD.

Enjoy greater investment choices. Most 401(k) plan sponsors limit investors to 20-30 mutual funds, some of which may be accompanied by high fees and lackluster performance. In contrast, except for prohibited investments, such as life insurance or collectibles, choices are nearly limitless in an IRA.

Need help deciding whether to roll a 401(k) into an IRA or to consolidate retirement accounts? Give me a call to discuss the pros and cons (330) 425-3930.

Darrell C. Claytor, CFP®

*Registered Representative of and securities offered through
SECURITIES AMERICA, INC. Member: FINRA (www.finra.org) /SIPC (www.sipc.org)*

*Investment Advisor Representative
Advisory services offered through SECURITIES AMERICA ADVISORS, INC. an SEC Registered Investment Advisory Firm*

*9780 Ridgewood Drive * Twinsburg, Ohio 44087-1266
(330) 425-3930 * darrell.claytor@securitiesamerica.com * www.darrellclaytor.com * (330) 425-1404 Fax*

Securities America and its representatives do not provide tax advice; coordinate with your tax advisor regarding your specific situation.
Written by Securities America, Copyright September 2017. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC.
SAI# 1888074.1