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# Retiring or Changing Jobs?

### Here are a few tips on how to keep your 401(k) working for you

**As more workers plan to continue working later in life, at more organizations, the ability to preserve their nest egg and keep it growing when they leave their current company is more important than ever. Here ís an easy-to-understand guide to your most common options.**

**1. Don't cash out.**

Let's say you're changing jobs and have just $1,000 in your 401(k). Once you've left your employer, why not just cash out the account? In fact, you should rarely — if ever — consider this option until you are at least 59½ years old. Otherwise the IRS considers this an early withdrawal, and will assess a 10% tax penalty on the amount withdrawn. Plus, your plan administrator will withhold 20% of the amount to cover the federal income taxes that will be due on the entire amount withdrawn. So, depending on your age and tax bracket, you might only receive $700 of the $1,000 withdrawal. More important, you give up the compounding growth effect on that money — the ability of your savings to earn interest on top of interest.

**2. Keep your plan growing tax-deferred.**

Most 401(k) plans give you the option to keep your savings within the plan when you leave the company, which is an easy and convenient way to keep your savings growing tax-deferred until you need to begin withdrawals. But you also have the ability to roll them into a new employer's plan, or an IRA. It's a good idea to compare all three options to see which is likely to produce the best results.

**3. In general, pick the plan with better investment options.**

Today's employers can use their bargaining power to pick investments for their retirement plans that are often better managed and offer lower fees than what you might find in a new employer's plan or IRA — even taking into account the greater number of investment options that IRAs may offer. So, sometimes it makes sense to stay with your current plan when you retire or leave, if you have the option to do so. Another consideration when comparing the IRA option to staying with your present plan is knowing that the process used to evaluate investment options in a 401(k) generally is subject to a higher standard of care than in an IRA.

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**4. Fees matter.**

The investment costs you pay directly impact your returns and the size of your nest egg when you retire. A growing number of 401(k)s offer you access to lower-cost index funds and well-priced target-date funds that may help make your investment selection decision less complicated than picking among a group of individual funds. That said, you shouldn't necessarily ignore a great fund just because it charges more.

**5. Watch out for your vesting schedule.**

While you always get to keep 100% of the money you contribute to your 401(k), any matching contributions your employer makes only become yours after you are fully vested with your company. Find out when you become
fully vested before you leave your job.

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