

Leaving Your Employer? Your Retirement Plan Choices and Alternatives

When you leave your employer, many changes will come your way. One decision is what to do with your 401(k) or 403(b) retirement plan money.

Remember—your retirement savings account is to help secure your standard of living in retirement. After you no longer have a paycheck, you will need the money to pay for health care, food, and housing expenses. Keeping your eye on the long term is critical.

There are several things you can do with your money. This flyer gives an overview of your choices.



PROTECT YOUR ACCOUNT!

Take steps to prevent cyber fraud in your retirement account. Go to <http://www.tri-ad.com/pdfs/protect.pdf> for important guidelines for ensuring the security of your 401(k) or 403(b) account.

Option 1: Leave your Money

Where It Is. If you have over \$7,000, leaving your money where it is until you have a set path forward, can be a great choice.

The institutional investments available through the plan are generally cheaper than anything comparable you could buy as an individual. Also, assets in an employer-sponsored retirement plan are not accessible to creditors if you have financial issues. Check your Annual Participant Booklet (APB) to see if your Plan charges a fee to terminated participants.

Important: If you have \$7,000 or less in the Plan, TRI-AD will automatically roll your funds into an IRA unless you request a distribution at www.tri-ad.com within 90 days of your termination date. If you do not act, you will receive information from PenChecks Trust about your new IRA with them.

If you leave money in your former employer's plan, keep your address and email up to date with them and on your online account.

Option 2: Roll Over your Account into a Rollover IRA. To do this, establish an IRA at the financial institution (bank, brokerage firm) of your choice, and then do a



To roll your funds over, log into your account at www.tri-ad.com, and select Loans & Withdrawals. Choose "direct rollover" and request the check payable to your new plan or IRA custodian, FBO (Your Name). FBO means "For the Benefit Of." If you can do the rollover via ACH (direct deposit transfer), please do so. It's less likely to go astray than a check.

Direct Rollover to move the money into your IRA.

Important: If you do a rollover by check, *do not have the check made out to you. It should be payable to your IRA custodian. If it is payable to you, we must withhold 20% in federal taxes and possibly state taxation.* The check will be mailed to you to forward to your new account's custodian.

Any pretax account balance rolled over into a pretax IRA will not be taxed. The same applies if you roll your Roth contributions into a Roth IRA. However, if you roll over pretax 401(k)/403(b) money into a Roth IRA, the amount that rolls over to the Roth IRA will be taxed.



Option 3: Roll Over your Account into your New Employer's Plan.

This works a lot like a rollover IRA, except that you are rolling over the money into your new employer's qualified retirement plan *if that plan takes rollovers*. Most do. You will not have to pay taxes on the amount you roll over.

Work with TRI-AD and your new employer's retirement plan provider for a Direct Rollover.

Option 4: Liquidate your Account.

When you cash out, your employer's plan must (by law) withhold 20% of any pretax savings amount. If you are under age 59 ½, an additional 10% early withdrawal penalty may apply.

Example: Kim, Age 40

- 25 years until retirement
- Balance: \$50,000
- Taxes and penalties:
\$10,000 Federal
\$5,000 State (paid when filing taxes)
\$5,000 penalty
- **Distribution amount: \$30,000**
- **Value in 25 years that she won't have in retirement*:**
\$283,000

*7% rate of return, daily valuation

Option 5: Do Some Combination of the Above.

You can split your distribution amount between the previously mentioned options. For example, you can take a partial cash distribution and roll the remaining balance to a new employer's plan or into an IRA.

Additional distribution options and taxation information will be provided when you request your distribution online.

Do You Have a Loan?

If you borrowed against your 401(k)/403(b) plan, any outstanding balance is payable in full when you leave your employer. If you do not pay off the loan promptly, here's what happens:

At the end of the quarter following the quarter in which you terminated, the loan defaults. The unpaid balance becomes taxable income in that calendar year.

If you are under 59 ½, a 10% penalty is assessed on the amount of the unpaid balance.

Your account balance is lowered by the amount of the unpaid loan balance and any 10% penalty.

Contact TRI-AD for more information on avoiding potential taxes and penalties by paying off your loan. If you can't pay off the entire amount, paying off even part of it promptly helps reduce the taxable event.

Additional Resources

Managing Your Account:

<https://www.tri-ad.com/retirement-learning-center/>

How to Register:

https://www.tri-ad.com/pdfs/BenefitSpot_Registration_Login_Instructions.pdf

How to Request a Distribution:

https://www.tri-ad.com/pdfs/Retirement_Plan_Distribution_Guide.pdf

Log In to Your Account

1. Go to www.tri-ad.com. Click the "Employee Login / Register" button, top right.
2. Click "Register Now" on TRI-AD's BenefitSpot™ to create your account. If you have already registered, click "Log In" with your credentials.
3. Access your retirement account by clicking Retirement Account(s) on the BenefitSpot dashboard.
4. Click "Loans and Withdrawals" on the top navigation bar to request your distribution online.

Need Help?

Review our [Frequently Asked Questions](#)

Contact TRI-AD:

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877-690-4015

Monday – Friday

5:00 a.m. – 6:00 p.m. PT

