

3 Steps to Take When You Roll Over Your 401(k)

3 min read | Nancy Mann Jackson



Key takeaways

- 1 Choose an account into which you'll roll your 401(k) funds, whether that's another 401(k) or an individual retirement account (IRA).
- 2 Contact your former employer to complete the necessary paperwork to perform the rollover
- 3 Finalize the rollover process with your financial institution.





Wondering how to rollover your 401(k) when you switch to a new job? It's a smart move to make and a fairly simple process. The most complicated part is deciding where you want to rollover your retirement funds.

If you're ready to figure out how to rollover your 401(k), follow these three steps.

1. Decide to make the switch

Some employers will allow you to keep your 401(k) funds in their plan even after you no longer work for them. However, if you're no longer employed there, you can't contribute to the plan any longer. The funds you've already accumulated could stay but you'd have no control over how they're managed.

If your former employer decides to stop managing the accounts of past employees, they could simply rollover your 401(k) into an IRA without your knowledge. Rather than giving up control of your 401(k), roll it over now to keep building your retirement fund and be in charge of what happens to it.

2. Determine where to transfer your funds

The rollover process isn't difficult but you must first decide where you will rollover your 401(k) funds. If you simply transfer them into a personal account, you may be responsible for taxes and early withdrawal fees. Instead, plan to rollover your 401(k) into another tax-advantaged plan to maintain the same tax advantages and avoid penalties.

There are two types of accounts that allow you to avoid taxes and penalties: another 401(k) and an IRA. If your new employer offers a 401(k), you can roll your funds over to a new 401(k) there. If not, or if you simply want to have more control over your account, you can roll your 401(k) into an IRA.

When you choose an IRA, you can make your own choices about where to invest your retirement funds or you can use a financial advisor. With a new 401(k), investment decisions will be made by the manager that your new employer chooses.

3. Reach out to rollover

When you have an account set up for the rollover, you'll need to contact the people who will complete the rollover process for you, whether it's an IRA or a new 401(k). That will involve contacting your former employer to let them know you're rolling over to a new employer and contacting the financial institution that houses your rollover account. You'll need to complete paperwork for both your former employer and your financial institution, which will ask for information such as your 401(k) account number and the account number for your rollover account.

After you've completed the paperwork, your financial institution will handle the rollover. When it's complete, you can continue contributing to your 401(k) and managing your investments so you can prepare for a happy retirement.

What you can do next

If you're planning to leave your job or have already left, don't leave your 401(k) funds where you have no control over them. Instead, start investigating the potential for a 401(k) at your new employer or open an IRA.

Rolling over your 401(k) funds is easy after you've made the decision of where you're going to roll the funds. Not sure whether a 401(k) or IRA is best? Find a local financial professional to get started

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