

55+

DO YOU HAVE A 401K WITH A FORMER EMPLOYER?

Know before you Roll!

Did you know...

...that if you are age 55 or older, and your employment ends, Uncle Sam will allow you take withdrawals from your company employer-sponsored plan (i.e. 401K) without the early distribution penalty? You'll still have to pay the taxes, but no penalty. This could be huge if you suddenly find yourself between jobs before you wanted to officially retire.

[Note: It is extremely important to check with your plan administrator to see if your particular 401K plan has restrictions that may affect how you withdraw funds after you leave.]

Did you know...

...that if you have taken a loan from your 401K, and haven't paid it back fully before you roll the 401K to an IRA, you will pay taxes on the amount of the outstanding loan? For example, let's say you borrowed \$50,000 from your 401K and have since paid back \$35,000. If you roll the 401K into an IRA before the remaining \$15,000 is paid back, you will pay taxes on the \$15,000 as a cash distribution. If you are under age 59-1/2 you will pay a penalty in addition to the taxes. Even if you are 55 and no longer employed where the 401K is held (see Did you know... paragraph above), you will pay a penalty because you took the loan while still employed with the expectation of repaying it within 5 years.

Employers withhold 20% of the outstanding loan amount for Uncle Sam. So if you have an outstanding loan, think twice before you roll!

Did you know...

...that if you have your 401K funds sent to you directly that your employer will probably be required to withhold 20% of the funds for taxes, even if you put the funds into an IRA within 60 days of receiving the distribution. If you transfer the 401K funds as a "roll over" directly into an IRA, taxes will not be withheld. Be sure the funds go directly to the IRA, and not to you first.

Find out more: 972-788-4703
www.TuggleRussell.com



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Retirement plans involve complex tax laws. The information included on this page is not intended to be a complete and exhaustive explanation of all factors and circumstances related to qualified plan distributions.