Know Before You Go: Understanding Your Distribution Options

When changing jobs or leaving employment, decisions you make about taking money from your plan can have serious tax consequences. Here's what you need to know.

Your Options	Pros	Cons
1. Roll over to an IRA	• Continue tax-deferred growth • Avoid early withdrawal penalties • Have flexible investment options • Can choose a Roth after-tax IRA • Consolidate your assets in one convenient place	• Restricts borrowing against your assets • Applies annual fees and commissions that may be higher than those in your current plan
2. Remain in your plan	• Continue tax-deferred growth • Avoid early withdrawal penalties • Receive creditor protection • May have lower fees • Move to another retirement plan later	• Possibly limited investment options • May not be able to remain in the plan if the balance is less than $5,000 • May not have access to loans
3. Roll over to another employer's plan	• Continue tax-deferred growth • Avoid early withdrawal penalties • May be able to consolidate qualified assets in one account • May be able to borrow from the plan • Receive creditor protection • May have lower fees	• Limits you to investment options offered by that plan • May have limits on how you can move money among investment choices
4. Take a distribution in cash	• Get the money you need right away	• Possible 10% early withdrawal penalty if you are under age 59½ • Adds to ordinary income and may increase your tax liability in the year received • May severely limit your ability to stay on track for retirement

Consult with your investment advisor or tax professional before deciding on any distribution option.

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