WHAT HAPPENS WHEN YOU LEAVE YOUR 401K BEHIND?

What does an employer who sponsors a 401k do when someone leaves their employ?
When someone leaves employment they are provided with written notification that the 401k account can be distributed.

- If account balance is +$5,000 and the terminated employee is under age 65, the participant is permitted to leave the account in place until age 65 or potentially longer. The employer cannot force distribution.
- If the account balance is $5,000 or less then distribution can be forced without the participant's consent. Such distributions are subject to the 10% additional penalty and 20% withholding tax on early distributions and are includible in taxable income unless they are rolled over to an IRA or another qualified plan within 60 days.

If the participant does not take a distribution or is not forced out, the employer is required to notify the IRS and Social Security Administration who notifies the participant at the time of retirement that the account is waiting.

Generally the participant will continue to have access to their account. But, it is their responsibility to keep the Plan Sponsor informed of:

- Address Change
- Name Change
- Beneficiary Change

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor