

401(k) Rollovers in 5 Easy Steps

MIND THE DEADLINES

When you leave an employer, their 401(k) plan will usually send you information on your rollover options and the deadline for indicating what you want to do with your money. If you miss that deadline, a decision will be made for you.

In addition, if your old 401(k) balance is paid directly to you, the IRS requires that you roll it over to an IRA (Individual Retirement Account) or a new 401(k) plan within 60 days to avoid a penalty.



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CHOOSE BETWEEN TRADITIONAL AND ROTH OPTIONS

The key difference is when your retirement savings are taxed. With a traditional IRA or 401(k),

- Plan contributions, including rollovers, are exempt from taxes and grow tax-free until withdrawal.
- Upon withdrawal, contributions and earnings are taxed as regular income.

WITH A ROTH IRA OR 401(K),

- Plan contributions are made from after-tax income – so a rollover from a non-Roth 401(k) to a Roth plan would be taxed when you roll it over.
- Withdrawals in retirement, including all earnings, are tax-free, subject to plan rules.

REQUEST A DIRECT ROLLOVER

In a direct rollover, your money moves straight from your old 401(k) provider to your new IRA or 401(k) account, without you ever taking possession of the funds.

This avoids the mandatory 20% tax withholding that applies if your rollover check is made payable to you.



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SETUP THE ACCOUNT TRANSFER

Your old and new retirement plan providers will have their own specific rollover procedures, such as how a rollover check should be made out. Follow these procedures exactly to avoid complications and consult your credit union's financial advisor if you'd like help.



SELECT YOUR INVESTMENTS

Once you've setup your new account, you'll need to select your investments. Your credit union's financial advisor can help you better understand your options and select investments that match your goals and risk tolerance.

NOTE ALSO THAT SOME EMPLOYER 401(K)S DO NOT OFFER A ROTH OPTION, WHILE OTHERS MAY ALLOW YOU TO COMBINE TRADITIONAL AND ROTH ACCOUNTS.

YOUR FINANCIAL ADVISOR CAN EXPLAIN ADDITIONAL DIFFERENCES BETWEEN ROTH AND TRADITIONAL ACCOUNTS AND HELP YOU MAKE AN INFORMED CHOICE.

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If you'd like to learn more about how planning ahead today can pay off in your future, contact a Reliant Investment Services financial professional located at Reliant Community Federal Credit Union by calling 800.724.7889 or emailing Devon.Littlefield@cunamutual.com.

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