401(k) Rollovers: What You Need to Know

If you’ve been saving into a 401(k) at work, chances are you’ve built up a nice nest egg with the help of pre-tax contributions—and maybe even some matching dollars from your employer (free money!).

But what happens when you **switch jobs or retire**? That money doesn’t just disappear, but it also shouldn’t be left sitting in limbo. That’s where a **401(k) rollover** comes in. A rollover lets you move your savings into a new retirement account—like a new employer’s 401(k) or a personal IRA—without losing tax benefits or triggering penalties.

Handled correctly, a rollover can:

- Keep your retirement savings growing tax-deferred.
- Simplify your accounts if you’ve had multiple jobs.
- Potentially lower fees and expand your investment choices.
- Give you more control over your financial future.

What Is a 401(k) Rollover (and Why Bother)?

A rollover simply means **moving money from your old 401(k) to a new retirement account**. People usually do it to:

- **Consolidate accounts** → Easier to track one account than three.
- **Get more investment options** → Old plans may have only 10-20 funds, while an IRA can offer thousands.
- **Reduce fees** → Lower costs mean more of your money stays invested.
- **Align with retirement goals** → Especially important if your new employer’s plan isn’t great.

If you leave money in your old 401(k), that’s sometimes fine—especially if it offers unique investments or low costs. But in many cases, rolling over puts you in the driver’s seat.

Two Ways to Rollover

Think of it like delivering a package:

Direct Rollover

- Money goes straight from your old plan to the new one.
- No taxes withheld, no penalties.

- Simple, clean, and IRS-approved.

Indirect Rollover

- Your old provider sends you a check (with 20% withheld for taxes).
- You must redeposit the full amount (including the withheld portion out of your own pocket) within **60 days**.
- If you miss the deadline, it's treated like a taxable withdrawal—and possibly penalized if you're under 59½.

Bottom line: Many find a direct rollover to be an easier process.

What About Roth 401(k)s?

If you've been contributing after-tax dollars to a **Roth 401(k)**, good news: you can roll those funds directly into a **Roth IRA** and keep the tax-free growth benefits.

Even better, Roth IRAs don't have required minimum distributions (RMDs), unlike Roth 401(k)s. That means you can let the money keep growing as long as you'd like.

Things to Consider Before Rolling Over

Before deciding, think through:

- **Fees** → Compare what you're paying in your current 401(k) vs. an IRA.
- **Investment options** → Do you want more choice and flexibility?
- **Creditor protection** → 401(k)s have stronger federal protections than IRAs (though rules vary by state).
- **Loans** → You can borrow from a 401(k) but not from an IRA.
- **Company stock** → Special tax rules may apply—worth asking an advisor.

How to Do It (Step by Step)

1. **Choose your destination** → IRA or new employer's 401(k).
2. **Open the account** if needed.
3. **Contact your old plan provider** and request a **direct rollover**.
4. **Fill out forms** to authorize the transfer.
5. **Wait for the funds to arrive** (usually 1–4 weeks).
6. **Reinvest** the money in your new account.

Common Mistakes to Avoid

- Missing the **60-day deadline** on indirect rollovers.
- Forgetting to replace the 20% tax withholding.
- Accidentally cashing out instead of rolling over.
- Not taking RMDs if you're 73+.

How Landis Wealth Management Helps

A 401(k) rollover isn't one-size-fits-all. The "best move" depends on your:

- Income and tax situation
- Retirement goals and timeline
- Need for flexibility or creditor protection
- Other retirement accounts you already have

At **Landis Wealth Management**, we help clients:

- Decide whether to keep funds in a 401(k) or roll to an IRA.
- Compare fees, protections, and investment options side by side.
- Avoid costly mistakes with IRS rules.
- Coordinate rollovers with a full retirement plan.

Final Word

When you change jobs or retire, your 401(k) doesn't have to be a headache. A rollover—done the right way—can keep your savings growing, simplify your finances, and give you more control.

Not sure which path is right for you? The team at **Landis Wealth Management** can walk you through the options and build a rollover strategy that fits your bigger financial picture.