Vestwell

The Ins and Outs of a 401(k) Rollover

While there are many benefits to rolling over your 401(k), the actual process has traditionally been a bit tedious. We're here to change that.

What is a Rollover?

Each time you change jobs, or if your current retirement plan is being terminated, you must decide what to do with your previous 401(k) plan assets. You can continue the tax benefits of your plan by transferring – or rolling over – your account balance to your new employer's 401(k), an individual retirement account (IRA), or certain other kinds of accounts.

How Can Vestwell Help?

We make it easy for you to complete a rollover into a Vestwell account. Vestwell provides employees with the necessary documentation to initiate a rollover, and make ourselves available at help@vestwell.com to answer any questions or provide guidance.

Why Should I Consider Rolling My 401(k) to Vestwell?

Besides the convenience of consolidating your retirement plans, there are a number of other benefits to consider when making the move:

Better Investment Options

Your prior 401(k) plan may have offered a limited menu of investment options or may have required you to invest in employer stock. The Vestwell Platform offers a diverse array of funds, model portfolios, and target date funds. And don't worry, if you have no idea what that means, we're here to help!

Lower Fees

In general, Vestwell's fees are below industry benchmarks and Vestwell does not receive any indirect revenue for services provided to your plan. Your prior plan may have had higher fees and those are assessed against your account, which could reduce your overall savings. To compare, ask for a fee disclosure from your previous provider. You received a Vestwell fee disclosure with your welcome email.

Easier Management

An average employee changes jobs 12 times during their career. Holding your investments in one account provides you a complete view of your retirement portfolio so you can make decisions accordingly.

Loans

If you have an outstanding loan on your original plan and want to avoid immediate repayment, rolling the assets over to another qualified plan could help you avoid penalties.

Do I Have to Roll Over My Previous 401(k)?

The short answer is, no. If your prior plan allows, you can leave your account with your previous provider or take a cash distribution. However, it is worth noting the following.

Leaving It

If your vested 401(k) balance is $5,000 or less, your previous employer may require you to take your money out of the plan when you leave the company. Additionally, your previous employer can require you to withdraw your funds once you reach the plan's retirement age.

Cashing Out

Though tempting, cashing out your 401(k) plan comes with taxes and penalties, as the funds will be treated as a taxable distribution. As a result, it would be subject to a 10% penalty if you are under 59 1⁄2. Additionally, the taxable portion will be added to any other taxable income for the year and can move you into a higher tax bracket.

Ultimately, Vestwell is here to help you meet your retirement goals, but it is up to you to decide how to treat prior funds. Should you decide to move your prior retirement plan account balance onto the Vestwell platform, we look forward to partnering with you every step of the way. You can reach us any time at help@vestwell.com.