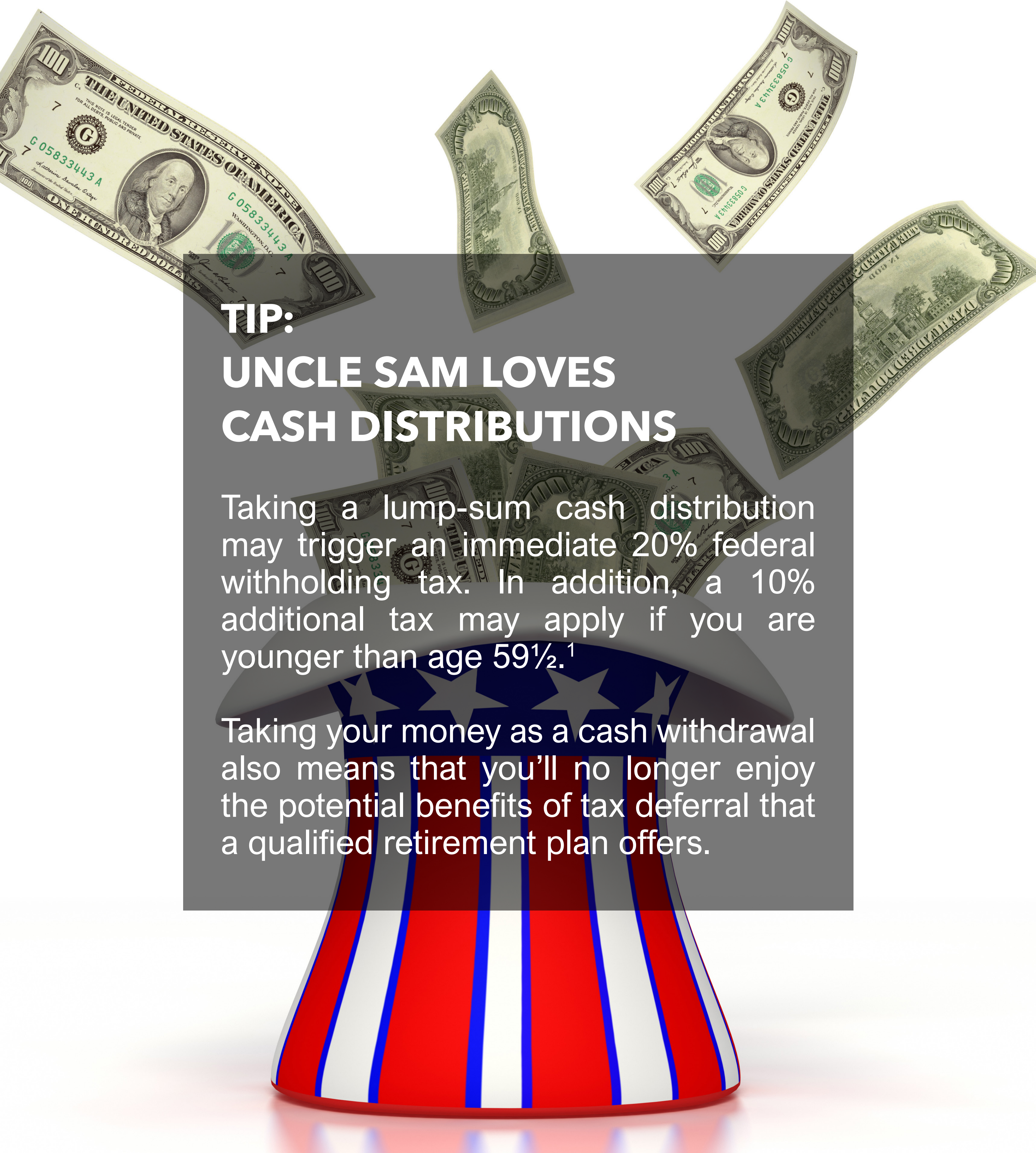
3 401K OPTIONS TO CONSIDER WHEN TAKING A NEW JOB

STRATOS



TIP:
UNCLE SAM LOVES CASH DISTRIBUTIONS

Taking a lump-sum cash distribution may trigger an immediate 20% federal withholding tax. In addition, a 10% additional tax may apply if you are younger than age 59½.[1]

Taking your money as a cash withdrawal also means that you'll no longer enjoy the potential benefits of tax deferral that a qualified retirement plan offers.

[1]If you're age 55 or older and separate from service, the 10% additional tax might not apply for certain periodic withdrawals taken from an employer-sponsored retirement plan. Keep in mind that the 10% additional tax may be incurred on distributions taken from an IRA prior to age 59½.

Depending on your circumstances, you may have several options that will allow you to maintain the tax-deferred status of your retirement plan assets:

1. LEAVE THE MONEY IN YOUR FORMER EMPLOYER'S PLAN

Your former employer must allow you to leave the money where it is as long as the balance exceeds $5,000. You'll no longer be able to contribute to the account, but you'll still decide how the existing assets are invested.

2. ROLL OVER THE MONEY TO YOUR NEW EMPLOYER’S PLAN

By “rolling” the money directly to your new plan, you may avoid the taxes that could eat away at a cash distribution. You’ll also have only one set of investments to monitor. Even if you’re not immediately eligible to contribute to the plan at your new job, you may still be able to roll over the money right away.

3. ROLL OVER THE MONEY TO AN IRA

If your new employer doesn't offer a retirement plan or you aren't yet eligible to participate, you might roll over the money directly to a traditional IRA. Again, you might avoid taxes that you'd incur if you took a cash distribution and still enjoy the potential benefits of tax deferral. Experts advise against commingling your retirement plan assets with other IRAs you may have set up. Instead, consider opening a separate IRA account, known as a "conduit IRA," which may allow you to move the funds to a new employer's retirement plan at a later date.

RESEARCH YOUR OPTIONS

If you plan to change jobs, don’t just take the money and run. Since rules vary from company to company, find the time to explore your alternatives. If you have specific questions about your retirement plan distribution options, contact your employer’s benefits coordinator or a qualified financial consultant.

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