WHAT TO DO WITH YOUR OLD 401(K) PLAN

When you leave an employer, you have several choices on what to do with the money in your 401(k) plan. What you choose to do may be limited by how much you have saved or the manner of your leaving. Here are the main options:

- LEAVE IT ALONE

  An employer may let you leave your investment in the company's plan if you choose to do so, and if you have more than $5,000 in the account.

- ROLL IT OVER INTO YOUR NEXT EMPLOYER'S 401(K)

  You can have your former company transfer your savings into a 401(k) offered by your new employer. This can make it easier to manage your savings by consolidating your investments into a single plan.

- ROLL IT INTO AN IRA

  Transferring your savings into an IRA with more investment choices can enable you to choose better performing investments than a 401(k) with limited options.

- ROLL IT INTO A ROTH IRA

  Unlike a non-Roth 401(k) or a traditional IRA, any contributions to a Roth IRA are after-tax instead of pre-tax. This means you can grow your money tax-free, and avoid taxes on withdrawals.

  If you convert a non-Roth 401(k) into a Roth IRA, you need to set aside enough money to cover your income taxes for that tax year.

- CASH IT OUT

  You are required to pay income tax if you cash out your 401(k). If you are younger than 59 ½, you also incur a 10% tax penalty for early withdrawal.

Rolling over into another account may expose you to more fees than you were paying (or your employer was paying,) or require taxes to be paid in the year you convert, but this may be balanced by your larger investment choices and ability to control your future tax liability. Whatever you choose, discuss the options with your tax professional and your financial planner to be sure you have considered all the ramifications.