Statistics show that American workers change jobs an average of 10 times during their careers.¹ Making the switch from one employer to another can be stressful, even when you’re moving voluntarily. But in the midst of all you need to do, there’s one thing you can’t afford to ignore — what to do with the money you’ve saved in your employer-sponsored plan. How you handle those savings today may have a profound impact on your financial security in the future.

Basically, you have four options. You can:

1. Cash out and spend or save the money as you please
2. Leave your funds in your old employer-sponsored plan, if permitted
3. Transfer it directly to a new employer’s plan, if permitted
4. Roll it over into an Individual Retirement Account (IRA)

**Take the cash**

While you may be tempted to take the money and use it to help cover expenses, make a purchase or take a vacation, cashing out of your retirement plan is something you should try to avoid.

Not only will you have to pay current income taxes on the withdrawal, but if you are under age 59 ½, you will also have to pay an IRS-imposed 10 percent early withdrawal penalty. This means if you have $10,000 in your account, for example, and are in the 25 percent tax bracket, you would get just $6,500 of your retirement savings ($10,000 – $2,500 current taxes – $1,000 early withdrawal penalty). Depending upon where you live, your savings may be further reduced by state and local taxes, leaving you with even less to spend or save. And finally, if you don’t reinvest the funds within 60 days, you’ll lose decades of tax-deferred investment returns — money that could make a big difference when it comes time to retire.

**Leave it in your former employer’s plan**

For many people, leaving their retirement savings in a former employer’s plan is the easiest option. Not surprisingly, a recent survey by consulting firm Aon Hewitt found that about 30 percent of workers make this choice.² But easy isn’t necessarily better.

For starters, you may need to have a minimum amount in order to leave your savings with your former employer. Second, you will not be able to make additional contributions to the plan. And finally, your plan may limit your ability to take withdrawals or make exchanges between investments.

**Roll over to a new employer’s plan**

If you’re leaving one job for another, you may have the option of rolling over your old balance to your new employer’s plan. Assuming you arrange with your benefits administrator to complete the transfer directly, you won’t pay taxes or a penalty; your investments will simply move from one account to another.

### Tax Tip #2: Changing Jobs? Don’t Let Taxes Take a Bite Out of Your Retirement Savings

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate use of your money</td>
<td>Money loses ability to grow tax deferred</td>
</tr>
<tr>
<td>Avoid current income taxes and penalty</td>
<td>Subject to current taxes and possible 10 percent early withdrawal penalty</td>
</tr>
<tr>
<td>Money continues to grow tax deferred</td>
<td>Lose ability to move money into another qualified plan or IRA after 60 days</td>
</tr>
<tr>
<td>Gives you time to decide what to do with your funds</td>
<td>Administrative charges may apply</td>
</tr>
<tr>
<td>Investment choices limited to employer’s plan</td>
<td>Plan may limit withdrawals and exchanges between investments</td>
</tr>
</tbody>
</table>

If you’re leaving one job for another, you may have the option of rolling over your old balance to your new employer’s plan. Assuming you arrange with your benefits administrator to complete the transfer directly, you won’t pay taxes or a penalty; your investments will simply move from one account to another.
Rolling over your retirement savings to a new employer’s plan can make your recordkeeping easier, since you won’t have to track multiple accounts. Best of all, your money can continue to grow tax deferred, along with any contributions you make as part of your new plan. But keep in mind that your investment choices may be more or less limited than your previous plan.

### Roll over to your own IRA

The surest way to gain control of your retirement savings without taxes and penalties is by rolling over your funds directly into an Individual Retirement Account (IRA). An IRA typically offers a broader range of investment choices than an employer’s plan. It also gives you control over your savings: You decide which company to go with and you can base your decision on your investment choices, fees and the track record of the company.

If you roll over to an IRA, you might consider converting all or a portion of your savings to a Roth IRA. You will have to pay taxes on the amount converted, but your earnings can be withdrawn free of taxes starting at age 59½, assuming you have owned the account for at least five years. A Roth IRA offers other important advantages, including the ability to keep your money growing free from taxes past age 70½, the age when owners of IRAs are required to start taking required minimum distributions.

To see if a Roth IRA conversion may be right for you, visit miretirement.com. There, you’ll find an easy-to-use Roth IRA Conversion Calculator.

### Advantages
- Avoid current income taxes and penalty
- Money continues to grow tax deferred
- Account consolidation makes it easier to track retirement savings
- May be able to borrow against your retirement plan savings

### Disadvantages
- Investment choices limited to employer’s plan
- May have to wait before you are eligible to participate

### Bottom line

Changing jobs can be a good time to step back and re-evaluate your retirement plan. While cashing out your savings may seem tempting, taxes and an early withdrawal penalty will easily reduce your hard-earned money by more than one-third.

M&I can help you make a tax-wise choice. Our Distribution and Retirement Planning Specialists can help you understand the impact of each option and, if you decide a rollover IRA is right for you, help you set up your account and get started. To learn more, contact us at 1-800-770-5741.

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At M&I, we’re ready to help with any of your financial needs.

**ACCESS** your retirement plan account online at miretirement.com
- View your account balances and activity
- View your personal rate of return
- View investment performance and price information
- Access tools and calculators
- View account statements and request forms

**USE** the Mi Retirement Line (automated telephone system) by calling 1-800-858-3829, option 1
- Receive your account balance
- Receive investment performance and price information
- Request account statements and forms

**SPEAK** to an M&I Retirement Services Specialist 24 hours a day by calling 1-800-858-3829, option 2

**CONTACT** an M&I Distribution and Retirement Planning Specialist at 1-800-770-5741 for financial planning or rollover assistance.