2025 · SHOULD I ROLL OVER MY DORMANT TRADITIONAL 401(K)?





After reviewing your Now consider if any of Summary Plan Description You have a 401(k) loan. these scenarios might None applies. Your account holds and investment options, If rolled over, the balance of apply to your situation: company stock. There may are you satisfied that your the loan should be repaid be special tax benefits plan is well-managed and by the due date of your tax utilizing Net Unrealized meeting your needs? return for the year you left Appreciation options. You want the option to your employer (including contribute to this account extensions). in the future. Yes No You could simplify the You are taking an RMD Consider rolling the or will soon reach your process by consolidating company stock into a You can only contribute Consider rolling the 401(k)s and IRAs. RMD age. taxable brokerage account to an active 401(k) 401(k) into an active to minimize taxes. account. 401(k) or IRA. Substantially Equal Now consider if any of Consider rolling the Consider leaving your Periodic Payments. You these scenarios might You will pay ordinary 401(k) into an active account where it is, but may be able to elect a apply to your situation: income tax on the basis of 401(k) or IRA. be mindful of automatic series of withdrawals from the shares (and a 10% distribution rules that your 401(k). penalty, unless an may apply (if your exception applies). balance is under \$5,000). 1) You left your employer at the age of 55 or older. 2) Consider making this You are younger than 59.5 You are age 50 or older, and election if allowed under Distributions are taxable as and want income. you are a qualified public your plan, or rolling the ordinary income but there safety employee (including 401(k) into an IRA to make is no 10% penalty. You are over the age of state/local correctional the election. officers, private sector 59.5 and want income. Consider these four options: firefighters, or forensic security employees). 3) You Hardship withdrawal. This Rollover to an IRA. are under the age of 50 but feature is only available if Distributions from an IRA Distributions from a 401(k) are a qualified public safety rolled into an active 401(k) are taxable as ordinary or IRA are taxable as employee with 25+ years of Take a loan. Loans are not account and only applies to income and may be subject ordinary income but there service for a single available from dormant qualifying expenses. to a 10% penalty. is no 10% penalty. employer. 401(k) accounts. Distributions are taxable Consider leaving the assets Consider rolling the 401(k) as ordinary income and Distributions are taxable Consider rolling the 401(k) into an active 401(k) account may be subject to a 10% at the 401(k) as you may as ordinary income but that allows for hardship penalty (unless an into an active 401(k) that qualify for a "separation there is no 10% penalty. from service" distribution. allows for loans. withdrawals. exception applies).



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Elizabeth L. Whitteberry specializes in Retirement Income Planning, Tax Minimization Strategies, Wealth Management, Investment Management, Risk Management, Estate Planning, and Gifting Strategies.

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