MANAGING YOUR MONEY

Changing Jobs? Do You Want To Own Or Participate In Your Retirement Plan?

by Craig Brimhall

(NAPSA)—Who's in control of your retirement nest egg? If you've changed jobs or retired and left assets in an employer-sponsored retirement plan like a 401(k), it's probably not you.

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Recent news stories about individual employees whose life savings were put at risk because of a lack of diversification in their company retirement plan have spotlighted the importance of understanding your retirement plan's investment policies. For many people, their retirement nest egg represents the largest share of their life savings; you owe it to yourself to know how it's being invested and who's in charge of making those decisions.

If you've recently left a job, ask yourself this question: "Do I want to participate in or be an owner of my retirement plan?" The choices you make when leaving your employer are critical and can affect your level of control. If you decide to leave your retirement assets in your employer-sponsored 401(k) plan, take note: you are considered an ex-employee participant—not an owner. This may seem like mere semantics, but it's more than that. Most employers set up a trust to "own" the assets of their retirement plan; this trust is considered the "owner" of the retirement plan.

If on the other hand, you've left a job and rolled your savings over into an Individual Retirement Account (IRA), you're the owner of that account—with full rights of access and control of your monies.

Why is being an owner and having control important? One reason is that IRAs typically offer more investment choices. This broader range of choice usually equals greater diversification possibilities, which in turn has the potential to reduce volatility and risk in your account.

Another important question job changers should ask when choosing to either roll assets to an IRA or leave them in a company 401(k) plan is this—"Who is going to get the money when I die?" If your spouse is named as the beneficiary, they can "roll" your retirement monies to his or her own employer plan or IRA. However, with many employer-sponsored plans, other beneficiaries, such as children, may be required (check plan provisions) to receive a one-time payout of the entire amount left in the retirement account and pay income taxes on the whole sum. Depending on the size of the account, this could be a sizeable tax bill.

By contrast, most IRAs offer your heirs another attractive choice—the ability to spread the account balance and the corresponding income taxes due over their lifetimes through annual payouts.

In short, there are many factors to consider when deciding what to do with your retirement savings when changing jobs. The complex issues and choices involved merit careful thought as well as advice from a professional financial planner and tax and legal advisors.

If you're considering rolling over retirement assets into an IRA or want more information, you can speak to an American Express retirement specialist by calling the IRA Solutions Center toll-free at 1-866-IRA-ADVICE. Or, for more information about financial planning, visit the company's Web site at www.americanexpress.com/IRA.

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