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How to Roll Over Your 401(k)

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Changing careers? Don't forget to take your 401(k) with you. Here's our step-by-step guide to preserving—and maximizing—your retirement reserve.

- 1. Open a Rollover IRA.** Before you transfer your 401(k), set up a Rollover IRA with your bank, a brokerage or mutual fund firm so your money has a destination. An IRA will also let you keep your savings tax deferred.
- 2. Know Your Tax Benefits.** If you have employer stock in your 401(k) you might qualify for a tax break, according to Cary Carbonaro, president of Family Financial Research. Net Unrealized Appreciation (NUA), the difference in value between the average cost basis of shares and the gain in the current market value of shares is not subject to income tax. If you have NUA, it might make sense to transfer that stock to a regular brokerage instead of an IRA, which will eventually be taxed when you reinvest.

3. Get the Paperwork. Contact your former employer's human resources department for the forms you'll need to rollover your 401(k). Do not elect to withdraw your money, warns Karen Altfest, executive vice president of Altfest Personal Wealth Management. If you withdraw before you're 59-and-a-half, you face a 10 percent penalty in addition to taxes.

Don't be shy about asking HR questions even after you've left the company. "Some people don't want to call because they think they'll be bothering someone," Altfest says. "That's not true. They have people there to be bothered."

4. Arrange for a trustee-to-trustee transfer. Make sure your check is made payable to a Rollover IRA account (such as Wells Fargo) rather than to you. The check should read something like: "Fidelity for benefit of Jane Doe," rather than "Jane Doe." "Your money should go from institution to institution," Altfest says. "Otherwise, you might be taxed." Be prepared to wait 30 to 60 days for the transfer to complete.

5. Think Before You Reinvest. Consider consulting a certified financial advisor about your reinvestment options. Look for someone who is a member of the National Association of Personal Financial Advisors (NAPFA), which guarantees that advisors operate on a fee-only basis and receive no commission or kickbacks. You can do a credential check through [NAPFA](#) and the [Securities and Exchange Commission](#).

6. Reinvest. This is a good time to re-evaluate your retirement goals. What do you want your savings to look like? Do you want to buy a vacation home? Do you want to contribute to your grandson's college tuition? Your goals will influence your reinvestment decisions.

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