

Ask

401k

Your Rollover: Step-by-Step

You've finally realized that you are smarter to roll your 401(k) rather than just leave it, but where do you get started? Assuming that you have made the decision on what type of account to put your 401(k) into, you are ready to start transferring the money to the new account. Don't let the process intimidate you. Sure, there may be some complicated looking forms to fill out and it might mean that you're dealing with your life savings, but it isn't hard if you know the steps involved.

1 Decide what type of account you are going to move into and open it.

This may sound obvious, but we see many cases where people really don't have a clue what type of account an advisor has instructed them to move into. The confusion comes in when you do a rollover, you actually change will tax status of the funds AND the account (or money bucket). A 401k tax status now changes to an IRA tax status. At the same time, the account may go from a group of mutual funds to a CD or an annuity. Don't let this confuse you!

New accounts may be a Mutual Fund (s), a brokerage account, a variable annuity, a CD, a Money Market, or a fixed annuity. You must first make the decision on what is best for you and your situation. Ask yourself this: How much of your money are you willing to LOSE? If the answer is NONE, then you must eliminate the first 3 above choices!

Secondly, the next question is, which one can give me the best return or lifetime income options? The next two cannot do this. The last option (fixed annuity) can.

Hybrid option: There is a fixed indexed annuity choice that can give you market like gains with lifetime income guarantees and potential to keep up with inflation. Very safe...no one has ever lost money due to market decline or financial institution failing.

2 Be Sure You Are Eligible To Do A Rollover By Calling Your Old 401(k) Provider

Before you do anything, check with your old provider. Even though the test questions at ASK401k.com say you should be eligible, your 401k administrator does have final say if you are still working! If you are not sure what to ask or would feel more comfortable having assistance with the

call, one of the 401k people can help you. The reason you make this call is you want to make sure there won't be any unexpected snags or fees and make sure that you're showing up as a terminated employee. They (old 401k admin) can't release the funds unless you're terminated or if you are over 59 ½ years of age. Sometimes there are cases where your employer doesn't notify the plan provider, and you're still flagged as an active employee in the system. Then when you try to do the rollover, it doesn't go through, you're not often told why, and it is up to you to make the contacts to get that resolved. So, save yourself some time and make sure you are cleared to move the money and that there are no unexpected penalties, fees, or restrictions.

3 Obtain Rollover Forms from Old Provider

Here's a tricky part. It's kind of a CATCH 22. If you're already on the phone with the old provider checking to make sure you are free to move the money, you can also use this time to ask for the required paperwork. In most cases, you will need to submit paper forms in order to initiate a rollover, so you'll want to tell them that you intend to roll the money over, and that you want the forms needed. They will either send them to you in the mail, or you may be able to request them via email or by fax. There are some providers that will only require a rollover request form from your new plan, and if that is the case, simply move on to step 4. The CATCH 22 comes in when some administrators require the new company info and account number before they send out the forms! So you will have needed to open the new account first

before calling back to request the paperwork or the check via phone. In most all cases, the old 401k administrator will send the check directly to you... but made out to the new account. This is done so that you avoid the consequences of an indirect rollover.

4 Complete the Forms Properly

This is an important step, especially if you're doing it on your own. All of these forms may have a lot of information, and to make sure things go as smoothly as possible, you'll want to make sure you fill it out correctly. For instance, if your rollover form from your previous carrier asks what type of distribution this is, you want to be sure to choose a Direct Rollover. This ensures that the funds are made payable to, and go directly to the new account. This often requires information as to how to make out the check or where to wire the money. This is information that you'd need to obtain from the new provider.

If you have questions at this stage, call the company and ask for help, or one of the 401k people can assist you (1-855-843-4015) Whether its questions with your outgoing provider or incoming, don't assume and just fill it out the best you can. Sometimes just an unchecked check box, or an overlooked signature can kick the forms back and delay the process for weeks. In the worst situations, you aren't even informed there is a problem and it can drag this process out forever. So, save yourself some trouble and make a quick call if you have questions.

5 Submitting the Forms and Follow-up

Once completed, it's time to submit the forms. Whether its forms for both providers or just the new one, you'll need to mail or fax them to the appropriate location. But your job doesn't stop there. You need to stay on top of this process if you are doing it yourself. If you have one of the 401k PEOPLE agents handle it, they will be on top of the process for you. There is a nasty habit of outgoing providers to make it difficult for people to pull their money out. If something is wrong with one of the forms, or they never receive anything, you aren't always going to get a call or letter right away alerting you. They don't want to see those funds leave, so they aren't going to be quick to tell you something that will speed that up. So it's up to you to follow up on your own in most cases. If you haven't received your check, or the funds haven't been deposited after about two weeks, I'd make

a few calls and make sure all parties received the appropriate paperwork and that they are in good order. If not, you may need to have them send the forms back so you can correct the error, or simply provide some information over the phone. Either way, don't assume that everything is going smoothly behind the scenes if you don't hear anything.

In many cases, you will receive a check for the full amount of the rollover in the mail. It is then up to you to make the deposit into the new account. Make sure the check is made out properly, and submit it for deposit with any required deposit forms. If you previously called and they said a check has already been issued and mailed, keep an eye out for it. Again, you want to be on top of things if it doesn't show up so that you can have a stop issued on the check and a new one sent. And don't hang on to the check once you receive it. Get it deposited as soon as possible and out of your hands so that you don't forget about it, it gets lost, etc.

Making the Right Choice

As you can see, there are many different options available to you when it's time to do a rollover. Choosing the right plan for your needs is most important step. If you feel you are more comfortable with risk, then a brokerage account or mutual fund might be best. If you move an old 401k into a new 401k plan, there is no real financial incentive and you are still in market risk. In other words, your new company will not give you additional funds to merge with the new account whereas many Fixed Indexed Annuities will and eliminate market risk.