IRA Rollovers and Transfers

If you're going to retire or take a new job, moving the money in your old 401(k), 403(b) or other workplace retirement plan to an Individual Retirement Account (IRA) might make sense for you. Consider a Millbury Savings Bank IRA that accepts rollovers as well as transfers of IRAs from other institutions.

Here's some information to help you get started.

Q. I have a retirement account with a former employer. What options do I have?

A. Typically, you have four choices: Leave your money where it is; transfer the money to your new employer's plan; withdraw the money from the retirement plan; or rollover the funds to an IRA.

Leave the money where it is. If you have more than $5,000 in the account, your employer may allow you to leave it in your current plan, where it will continue to grow tax-deferred in the investment options provided by the plan. Keep in mind, however, that you will not be able to make additional contributions to it, and that fees or other limitations may kick in.

If you have less than $5,000, your employer could require you to move the money out of the plan, and may either roll the funds into an IRA for you (if your balance is greater than $1,000) or distribute the funds to you automatically (if less than $1,000), potentially resulting in taxes and penalties.

Move the money to your new employer's plan. If you've changed jobs, you may be able to roll the money into your new employer's plan. However, some do not allow for such rollovers, or require you to wait a certain period before you can begin participating in the plan. Be sure to check with your new employer's plan provider.

Withdraw the money. If you withdraw the money, or "cash out," bear in mind that the plan automatically will deduct 20% for federal withholding, and you may owe additional federal taxes, state taxes, and—if you're less than age 59-1/2 or separated from your employer prior to age 55—a 10% withdrawal penalty! All told, you could wind up with only about 60% of the vested balance in your retirement account—not a good return on your investment.

Roll over the money to an IRA. Moving your money to an Individual Retirement Account, or IRA, will allow you to track and manage your retirement savings in one place, without triggering tax withholding or withdrawal penalties. In a rollover IRA, your money continues to grow "tax-deferred," meaning you don't pay taxes until you withdraw it. What's more, if you're less than age 70-1/2, you may be able to continue making potentially tax-deductible contributions.*

Q. What is an IRA?

A. Like a 401(K), 403(b) or similar workplace retirement plan, an IRA is a type of savings account that's set up specifically for retirement and therefore eligible for special tax advantages. The difference is that while 401(k)s, 403(b)s, and similar plans are offered only through employers, IRAs can be opened by almost anyone on an individual basis.

IRAs can be opened at brokerage companies, mutual fund companies, and many banks, including Millbury Savings Bank. While they are typically subject to annual contribution limits by the IRS, rollovers and transfers are not counted in that limit.

Q. Why should I choose a Millbury Savings Bank IRA?

A. When you choose an IRA from Millbury Savings, you can rest assured that your retirement savings will be safe and secure, because it will be fully insured by the FDIC and DIF. In an IRA Certificate of Deposit, your money will earn a competitive, guaranteed rate of interest—no matter what happens in the financial markets. You'll also earn preferred rates on your Statement Savings IRAs with a Gateway SuperSaver Checking℠ account. What's more, we offer IRAs with no annual, set-up, or custodial fees, so you keep more of the money you've worked so hard to save.

Millbury Savings Bank IRAs accept rollovers from 401(K)'s and other workplace retirement plans, as well as transfers of IRAs from other institutions.

Q. What's the difference between a rollover and a transfer?

A. Both are ways to move your retirement savings from one place to another. The primary difference is in how the money is handled.

With a *rollover*, a check for your retirement savings is sent to you, and you must redeposit it within 60 days to avoid tax implications. If it's a *direct rollover*, the check already will be made payable to the receiving institution. If the check is made payable to you and the taxes have already been deducted, you will have to make up the amount withheld and complete an *indirect rollover*. In either case, a rollover is reportable to the IRS and you're limited to only one per year.

With a *transfer*, the money is moved directly from one institution to another without you ever touching it. However, a transfer can be executed only when the money is being moved between plans of the same type (e.g., Traditional IRA to Traditional IRA). The number of transfers you can make is not limited, and transfers are not reportable to the IRS.

Q. Where do I begin?

A. Let our customer service representatives provide the supportive, step-by-step help you need to get started. We'll establish an IRA plan for you, then help you complete the direct rollover or transfer authorization paperwork. (Your previous employer or institution may have forms for you to complete as well.)

Get your retirement rolling today!

Talk to a customer service representative in Millbury at (508) 865-5811 or in Worcester at (508) 757-0057.

*Check with your tax advisor.

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