Top 401k to IRA Mistakes to Avoid

Every year people do spring cleaning at their homes. The cleaning is to sort, organize, get rid of things, and sometimes repair old items. Just like your house, financial portfolio reviews need to be done periodically. Although they are reviewed, there are common 401k to IRA rollover mistakes to avoid.

1. **Accumulating 401k's**

The days of one job careers are long over. The median number of years that wage and salary workers had with their current employers is 4.1 years as of January 2020 from US Bureau of Labor Statistics. This means by the time an individual is in their 40's, they may have accumulated 4 or 5 different 401k's. Because each 401k has different fee structures and investments, it's important to consolidate them. Consolidating them helps on organizing and tracking because every year there are millions of forgotten 401k accounts (24.3 million accounts 2021 Department of Labor data).

2. **Transferring 401k to 401k**

Retirement accounts like the 401k are great retirement savings vehicles. The problem with them is the limited amount of investment choices for an investor. Instead of rolling over a 401k to an IRA, some individuals make the mistake of transferring an old 401k to another 401k with limited investment choices. The perfect opportunity is when you start a new job and move the old 401k to an IRA. IRA's have many more investment choices and the ability to have a fiduciary financial advisor manage it for you.

3. **Too Conservative**

It's important to invest the money. Putting the money in a money market is very safe but lacks the ability for market growth and accumulation. Being too conservative can be prohibitive to the benefit of these tax deferred accounts. But keep in mind, portfolio allocation can vary with risk parameters and time frame.

4. **Indirect Rollover**

When rolling over your account, it's important to roll it directly over from one retirement account to another retirement account. Sometimes people do an indirect rollover which is when a check is cut directly to you. This is a 60-day rollover and you have 60 days to deposit all or a portion into another retirement account. Keep in mind, 20% is withheld and potential penalties if early distribution. The easiest way to do a direct rollover is by setting up the 2nd retirement account before any transaction occurs so that there's an account number already established for the rollover. When you do the rollover it's going from a retirement account to an existing retirement account.

5. **Annuity**

Annuities have their time and place, but growing wealth in an annuity is expensive. Some of the fees include surrender charges, high expenses, and mortality expenses. Over time, these fees can minimize your asset growth.

Smarter 401k to IRA Retirement

Because most people have several jobs before retirement, it's important keep track and consolidate 401ks to IRA's. Being too conservative can hurt you long term on growing the assets. When rolling over the accounts, it's ideal to do a direct rollover. These are simple house cleaning tips to your financial future success.

Treveri Capital is here to help you. Contact us today HERE.

https://www.bls.gov/news.release/tenure.nr0.htm

https://www.hicapitalize.com/resources/the-true-cost-of-forgotten-401ks/

https://www.irs.gov/retirement-plans/plan-participant-employee/rollovers-of-retirement-plan-and-ira-distributions