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| **Why Job-Hopping May be Hurting Your Retirement Planning****Millennials have a reputation for frequently switching jobs. Before you jump, review your old and new 401(k) plans because early cash-out, company matches, and waiting periods can create costly obstacles.**A LinkedIn study1 found Millennials who graduated from college between 2006 and 2010 worked at almost three different jobs in their first five years. Changing jobs can make sense but take care to protect your long-term retirement plan.**Understand your 401(k) options when you change jobs.**There are four options for protecting your 401(k) plan when you leave your current employer. You can leave the money in your former employer’s 401(k), you can roll over the assets to your new employer’s plan, roll over the assets to an Individual Retirement Account (IRA), or cash out the account value. Your financial professional can help you determine which option makes sense for you.**Eligibility waiting period can sting.** Approximately 35% of employers mandate a three-month waiting period before new employees can join the company’s 401(k), and 25% must wait a full year. That’s a lot of wasted time in which you can’t make deductible contributions or receive matching funds. This is where an IRA may be useful. You can contribute $6,000 in 2020 to your IRA and deduct the contributed amount. Or choose a Roth IRA – you get no tax deduction, but withdrawals are tax-free if you follow the rules.**The hidden horror of vesting.** It’s delightful to check your pay stub and see your employer’s matching contribution to your 401(k). And once you are fully vested, your employer cannot take back its contribution. But imagine the horror of seeing those matching funds evaporate because you haven’t met the vesting requirements. In fact, 61% of 401(k) plans do not provide immediate vesting. The regulations permit up to a three-year vesting period2. Ultimately, it may not sway your decision whether to stay or leave, but it’s certainly a factor you should consider.**Think twice about cashing out.** It may be that you have only a small 401(k) balance when you switch jobs, prompting some to simply cash out. But just remember that you could lose about a third of your money to taxes and the 10% early withdrawal penalty.**There’s nothing wrong with moving up the ladder.** But you owe it to yourself to preserve your retirement savings as you ascend. If a job change is in the offing, contact me to discuss your options. Together, let’s make sure that you receive everything due you.Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax.A Roth IRA offers tax deferral on any earnings in the account. Qualified withdrawals of earnings from the account are tax-free. Withdrawals of earnings prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Limitations and restrictions may apply.

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1 [usatoday.com/story/money/personalfinance/retirement/2017/05/07/why-job-hopping-canhurt- your-retirement/101055822/](https://www.usatoday.com/story/money/personalfinance/retirement/2017/05/07/why-job-hopping-can-hurt-your-retirement/101055822/) [5/7/17]2 [irs.gov/retirement-plans/plan-participant-employee/retirement-topicsvesting#:~: text=%E2%80%9CVesting%E2%80%9D%20in%20a%20retirement%20 plan,it%20back%2C%20for%20any%20reason/](https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topicsvesting#:~:text=%E2%80%9CVesting%E2%80%9D%20in%20a%20retirement%20plan,it%20back%2C%20for%20any%20reason) [6/18/20] |

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