

STRONG TOWER ADVISORS · PRINTABLE GUIDE

401(k) Retirement Decision Guide

When you leave an employer, you usually have several choices for your 401(k) or 403(b). This guide compares them side by side and flags the details to check before any money moves.

How to use this guide

Get your plan's Summary Plan Description and most recent fee disclosure first. Then fill in Worksheet 1 with your plan's facts next to the alternative you are considering. Work through the special-situation checklist before you sign any distribution or rollover form.

Educational only. This guide does not recommend a rollover, an account type or any product. 2026 figures were checked against IRS sources in October 2026. Numbers labeled

HYPOTHETICAL are illustrations only.

Your four basic options

Common choices for an employer plan after you leave (availability depends on your plan)

Option	What it means	Things to weigh
1. Leave it in the former employer's plan	The account stays where it is, if the plan allows (many plans allow this above a minimum balance).	Plan investment menu and fees; withdrawal flexibility (some plans allow only lump sums); the Rule of 55 may apply; federal ERISA protections.
2. Move it to a new employer's plan	A direct transfer into your new job's plan, if that plan accepts roll-ins.	Consolidation; the new plan's menu and fees; possible delay of RMDs while still working there (if not a 5% owner).

Option	What it means	Things to weigh
3. Roll it to an IRA	A direct rollover into a traditional IRA (pre-tax money) and/or a Roth IRA (Roth money).	Often a broader investment choice; fees and services vary widely; the Rule of 55 does not apply to IRAs; different creditor-protection rules.
4. Cash it out	Take the money as a taxable distribution.	Pre-tax amounts are taxed as ordinary income; 20% mandatory federal withholding; a possible 10% additional tax if under 59½ and no exception applies.

Many people use a combination, such as leaving part in the plan, rolling part to an IRA, or moving employer stock under special rules. Ask whether your plan permits partial distributions.

Worksheet 1: Side-by-side comparison

Worksheet 1: Your current plan versus the alternative

Feature	Current employer plan	Alternative (new plan or IRA)	Notes
Total annual cost (fund expenses + plan admin + advice fees), %			
Total annual cost in dollars on my balance			
Investment choices available (stable value, index funds, others)			
Withdrawal options (partial, installments, lump sum only)			
Penalty-free access before 59½ (Rule of 55, 72(t))			
Loans available?			
Help, planning or advice services included			
Creditor and lawsuit protection (ask an attorney for your state)			
RMD rules (still-working exception?)			
Employer stock held? (NUA question)			
Roth or after-tax money held?			
Beneficiary designation current?			

Feature	Current employer plan	Alternative (new plan or IRA)	Notes
Simplicity: number of accounts to manage			

Why fees deserve a line of their own

HYPOTHETICAL On a \$400,000 balance, an all-in cost of 0.30% per year is \$1,200. An all-in cost of 0.90% is \$3,600. That is a \$2,400 difference in the first year, before any growth on the difference. Either option could be the lower-cost one. This illustration only shows why you should write both numbers down. Your plan's annual fee disclosure, and the IRA provider's fee schedule and any advisory agreement, give you the real figures.

Special situations to check before moving money

EARLY ACCESS

- ☐ **Rule of 55.** If you leave your job in or after the calendar year you turn 55 (age 50 for certain public-safety employees in governmental plans), distributions from *that employer's plan* are generally exempt from the 10% additional tax. The exemption does not follow the money into an IRA. Income tax still applies.
- ☐ **72(t) payments.** A series of substantially equal periodic payments is another exception to the 10% additional tax. It applies to IRAs, and to plans after you separate from the employer. Payments must follow IRS methods. Under Notice 2022-6, fixed methods may use an interest rate up to the greater of 5% or 120% of the federal mid-term rate. Changing the series before the later of five years or age 59½ generally triggers the 10% tax retroactively, plus interest.

TAX CHARACTER OF THE MONEY

- ☐ **Employer stock and net unrealized appreciation (NUA).** If the plan holds company stock, a qualifying lump-sum distribution can move the shares to a taxable account. Only the plan's cost basis is taxed as ordinary income at distribution. The appreciation is taxed at long-term capital-gain rates when the shares are sold. Rolling the shares into an IRA gives up this treatment. Get your cost-basis figures before deciding.

- ☐ **Roth 401(k) money.** It can be rolled to a Roth IRA. Ask how the Roth IRA five-year clock applies to you.
- ☐ **After-tax (non-Roth) contributions.** These may be split: the after-tax basis can go to a Roth IRA, and the earnings to a traditional IRA. Ask the plan for its basis records.

MECHANICS

- ☐ **Direct rollover versus a check payable to you.** A direct (trustee-to-trustee) rollover avoids withholding. If the plan pays you instead, it must generally withhold 20% for federal income tax. You then have 60 days to deposit the full amount, including the withheld 20% from other funds, to avoid tax on the shortfall.
- ☐ **Outstanding plan loans.** Ask how an unpaid loan is treated when you leave. An offset may be taxable unless the amount is rolled over by the tax-return due date, including extensions.
- ☐ **Required minimum distributions.** RMDs begin at 73 (born 1951–1959) or 75 (born 1960 or later). An RMD due for the year cannot be rolled over.

Questions to ask anyone recommending a rollover

Under SEC Regulation Best Interest, a broker-dealer recommending a rollover must act in your best interest when making the recommendation. Investment advisers owe a fiduciary duty. FINRA has told firms to consider factors such as fees, services and investment options in both the plan and the IRA. Fair questions include:

- ☐ What would I give up by leaving my plan? Did you review my plan's fees and investment options?
- ☐ What will I pay in total each year in the IRA, including fund expenses, advisory fees and commissions?
- ☐ How are you paid if I roll over, and how are you paid if I do not?
- ☐ Does this recommendation account for the Rule of 55, employer stock, Roth money and my retirement date?
- ☐ Can you put the reasons for the recommendation in writing?

2026 reference figures

Selected 2026 IRS limits

Item	2026
401(k), 403(b), governmental 457 and TSP employee deferral limit	\$24,500
Catch-up contribution, age 50 and over	\$8,000 (total \$32,500)
Higher catch-up, ages 60–63	\$11,250 (total \$35,750)
Catch-ups must be Roth if prior-year FICA wages from the employer exceeded	\$150,000 (2025 wages determine 2026)
Total annual additions to a defined-contribution account	\$72,000
IRA contribution limit / catch-up at 50+	\$7,500 / \$1,100

Common mistakes

- Rolling over before checking whether the Rule of 55 or NUA would have been useful.
- Receiving a check instead of a direct rollover, and then missing the 60-day deadline or the withheld 20%.
- Comparing only investment menus and not the total annual cost in dollars.
- Cashing out a small balance without considering taxes and the 10% additional tax.
- Forgetting to update beneficiaries on the new account.

Official help

- **Your plan administrator:** the Summary Plan Description, fee disclosure and distribution forms.
- **U.S. Department of Labor, EBSA:** 1-866-444-3272, for plan rights and benefit questions.
- **FINRA BrokerCheck and the SEC's Investor.gov:** to research a financial professional.

Sources

- IRS — 2026 401(k) and IRA limits
- IRS — Catch-up contributions
- IRS — Exceptions to the 10% additional tax
- IRS — Substantially equal periodic payments and Notice 2022-6
- IRS Topic 412 — Lump-sum distributions (NUA)

- IRS — Rollovers of retirement plan and IRA distributions
 - IRS — Required minimum distributions
 - FINRA — Regulatory Notice 13-45 (rollovers to IRAs)
 - SEC — Regulation Best Interest FAQs
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Strong Tower Advisors · 6653 Weaver Rd., Rockford, IL 61114 · (815) 986-7782 ·
info@strongtoweradvisors.com · Schedule an introductory call