

# HAVE YOUR CAKE AND EAT IT TOO: INTRODUCING THE 401(K) IN-SERVICE WITHDRAWAL

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It's no mystery that putting all of your retirement savings into your company 401(k) can have some serious drawbacks. If you saw the Frontline episode, "The Retirement Gamble," on PBS or the follow-up Forbes article, "Why 401(k)s Have Failed," you've already seen how higher costs, hidden fees, ties to employer stock performance, and lack of diversification are giving 401(k)s a bit of a bad name. And yet, in most cases, employer matches and contributions are big enough perks that it can be a mistake not to take advantage of your corporate plan.

But you may be able to take advantage of a little-publicized and highly valuable benefit that allows you to leverage your 401(k) plan while increasing diversification, reducing costs, and mitigating risk to your retirement portfolio. Called an "in-service withdrawal option," this benefit allows employees to rollover all or part of an existing company 401(k) account into an IRA while still employed at the company. Unlike a "hardship withdrawal," the benefit typically has no qualifying requirements; it simply allows employees to rollover a portion of their vested assets into a separate fund.

**Never heard of it?** It's no surprise. As plan sponsors, employers would prefer their employees keep their retirement assets in

the corporate plan, but offering an in-service withdrawal option helps reduce risk of plan-related litigation. If your employer does offer the option, it's simple to do, and you can continue to take advantage of the benefits of your 401(k)—including any employer matches and contributions—even after the withdrawal.

## GET STARTED TODAY.

**Talk to your HR representative.** See if your employer offers in-service withdrawals. If they do (and lucky you), gather all the information available regarding the option and your company's overall pension plan.

**Talk to your financial advisor.** Discuss if a rollover is appropriate based on your overall financial situation, including your time horizon, risk tolerance, and other factors.

**Initiate the withdrawal.** Contact your HR department and complete all required paperwork.

**Complete the rollover.** As soon as the withdrawal process is complete, you may roll your funds into a traditional IRA or a ROTH IRA without incurring any penalties or taxes. Work with your advisor to decide which option is best for you. (While the ROTH isn't appropriate for everyone, it allows you to pay tax now on the lower amount, and then withdraw the larger value at retirement 100% tax-free.)

**Continue to contribute to your 401(k).** Don't miss out on the valuable perks of your 401(k). Employer matches and contributions can add a significant boost to your retirement income. And remember, you can initiate another

rollover in the future, so always keep an eye on how you can continue to diversify your retirement savings.

## WHAT ARE THE THREE BIGGEST ADVANTAGES OF AN IN-SERVICE WITHDRAWAL?

1. Your options are no longer limited to funds in your company plan; your assets can be invested into any option you choose.
2. By separating your investments from your employer and the associated ties to company stock performance, your retirement portfolio is much more insulated from risk.
3. After the rollover, you can continue to contribute to your company 401(k) plan, but you now have multiple, diversified buckets to draw on when you retire. If you choose a ROTH IRA for a portion of your funds, your taxes will also be diversified, with some of your savings taxed before retirement, and the rest taxed at the time of withdrawal.

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