

# Changing Jobs? Protect your Assets



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Whether you are embarking on a new career or relocating due to shifts in the job market, keeping on top of your options regarding your existing insurance policies and pension or retirement plan is critical.

You don't want to leave assets behind unintentionally. There are often time-limited opportunities, strict guidelines and tax penalties to watch for so consider your options carefully whether you're simply changing employers or making an across-country move.

You will want to talk with the benefits officer at your previous employer, your new employer and with your financial professional. To protect your assets and help you make the smartest moves for your situation, here are a few tips about things to consider.

## Your Retirement Plan

For most people, a retirement plan is the largest asset connected to their employment. There are four key options to explore.

- 1. Rollover** – This is one of the best options since you retain control of where you move your retirement investments. You can avoid the 10% premature distribution penalty tax if you are under the age of 59-1/2 and you keep your money in a tax deferred account.
  - a.) Rollover to a self directed IRA:** This option offers the maximum choices and investment options.
  - b.) Rollover to new employer's plan:** The appeal of this choice varies based on the investment vehicles allowed by the employer.
  - c.) Rollover to a Roth IRA (Roth Conversion):** If the value of your retirement plan or Traditional IRA has recently declined, you will owe less in taxes upon a conversion to a Roth IRA. And then, if the market heads back up, any earnings in the Roth account will accumulate tax free, and remain so for future qualified distributions.
- 2. Stay the course** – You can keep money in your current plan if the plan allows this. It may not have adequate investments to choose from, so be sure to evaluate the plan thoroughly. This may be a good short-term choice while you get settled into your new job.
- 3. Cash out** – There are potentially huge tax consequences to consider with this choice. Proceeds are taxed as ordinary income and a 10% penalty is a possibility so be sure to consult a tax advisor. It is important to remember if you sell out now, there is no chance to recoup any lost market value.
- 4. Sick Leave Conversion** — If you worked for a nonprofit organization that offered a 403b retirement plan, you may have a

choice. Numerous 403b plans, have the option of converting unused sick leave, (subject to limitations) into money for retirement.

## Pension

If you have a pension, research rollover options (if any) and compare what are referred to as pension-max opportunities. Re-evaluate your retirement timing and your needs for the long-term before making an irrevocable election in the here and now. Be sure to keep any plan information from jobs you have left if you will be entitled to a pension.

## Group Insurance (Life or Disability)

If insurability is an issue, you may be able to convert your group term life and/or disability insurance to a portable permanent policy. Look into this as early as possible, as there are time constraints.

## Health Insurance

Look carefully at your new employer's health insurance plan, paying particular attention not only to your premium share but also to the maximum out-of-pocket and lifetime limits. You may be better off with your previous employer's plan through COBRA, or your spouse's plan. Between employers, either convert to a COBRA plan or purchase a direct pay health insurance policy promptly to avoid a waiting period or stipulations regarding pre-existing conditions. Be aware if you convert from group to individual health insurance your coverage may change and so will the premiums.

While you are in update mode, be sure to update primary and contingent beneficiary information on all policies and retirement accounts. Think of changing jobs as an opportunity to solidify your financial future, whatever your age or situation.

*For more information on transitioning employment benefits or selecting a financial advisor, check out these resources:*

<http://www.clutewealthmanagement.com/resources.html>

<http://www.irs.gov/retirement/participant/index.html>

<http://paladinregistry.com/>

<http://www.fpanet.org/plannersearch/search.cfm>

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