

# The Independent Investor

By Bill Schmick

## Should you roll over that retirement plan?

If you still have your money invested in your former employer's retirement plan, you may want to rethink the wisdom of that decision. Time and again, retirees—or those saving toward retirement—take the easy way out and do nothing. That could be a big mistake.

Invariably, I meet prospective clients who have one, two and even three 401(k) or 503(b) retirement plans from former employers that just sit at the old companies, untouched and ignored. In the vast majority of cases, these plans should be rolled over into a tax-deferred Individual Retirement Account (IRA).

"I left it at my old company because it's free and I don't have to manage it," explained one recent prospective client, who now works at a consumer magazine. Nothing could be further from the truth.

Company retirement plans charge you anywhere from 1.5-2.5% annually for the privilege of investing and tax-deferred saving. It is their dirty little secret. The Department of Labor now requires companies to be upfront with the fees they are charging employees. Some studies estimate that employees pay 33% or more of their entire retirement savings in fees over the average life of their employer plan. Those fees continue if you leave and your plan stays and may actually go higher if the ex-employee is no longer contributing to the plan.

Many investors mistakenly believe that their company actively manages their portfolio as if it were a pension plan. Not true. The responsibility for managing that money is in your hands. You may not know what to do with it, but by abdicating your responsibility, you open yourself up to potential losses or missed opportunities while continuing to pay a stiff fee.

Most employer-sponsored plans offer a limited number of investment choices. I have seen plans that have ten or twenty fund choices while others have no more than four or five. Many times the performance of these offered funds is mediocre at best.

At the very least, having retirement savings in several locations adds confusion and makes tracking your investments and returns far more complicated. The older or busier one becomes, the less complexity one needs in life—especially when it comes to your money. Trust me; it is much easier to monitor your investments in one IRA rather than in several 401(k)s.

The same advice applies to rolling over your old 401(k) or 503(b) into a new one at your present company. Do not do it. The same set of conditions exists within your existing company's plan. It's better to roll over those funds into a lower-cost IRA.

So how hard is it to roll over your retirement savings? All you need to do is open an IRA at any broker, bank or money management firm. It costs nothing and they do the paperwork. Once you have your new account number, you simply call your old plan sponsor (the number is on the statement) and inform them that you want to roll over your dormant employer-sponsored plan to your new IRA and give them the account number.

Depending on the company, they can either send you an application to facilitate your request or simply transfer the funds based on your phone call. Some companies insist on sending you the check. If so, you have sixty days to deposit it into your rollover IRA, or you will pay a tax penalty. Most companies simply transfer your money directly into your new IRA. The entire process can take a few weeks to a month or so. It costs you nothing to do it.

You will immediately enjoy a cost savings, since you are no longer paying those high plan fees each year. Your menu of investment choices will be vastly larger, offering you the very best funds at the lowest costs available. If you have little or no knowledge of investments, you can hire an investment advisor. The fees most likely will be lower than the fees you are paying now. If money managers are not your thing, hire a broker to do the job. Just make sure you find a good one who is

## April Sudoku

8	4			7				
6			1				5	
		2			9			6
	3		9	6	8	4		
		4		3				
					1			
		6					4	
	7		2		5			1
		8				9		

## CALLING ALL VIETNAM-ERA VETERANS

If you served from 1961-1975 and were stationed anywhere—land, air or sea—we hope you will join us this fall in Pine Knoll Shores.

The town would like to honor you by saying,

**“Thank you for your service!”**

For event details, donations or to volunteer, contact Craig Letchner at 622-4747.

This is an event to celebrate members of our town who served their country.

Look for more details in future issues of *The Shoreline*.

willing to listen, to charge you a reasonable commission and keep your investment choices to the lowest cost funds with the smallest sales charges.

Bill Schmick is registered as an investment advisor representative and portfolio manager with Berkshire Money Management (BMM), managing over \$200 million for investors in the Berkshires. Bill's forecasts and opinions are purely his own and do not necessarily represent the views of BMM, and none of his commentary is or should be considered investment advice. Direct your inquiries to Bill at 1-888-232-6072 or Bill@afewdollarsmore.com. Visit [www.afewdollarsmore.com](http://www.afewdollarsmore.com) for more of Bill's insights.