



Beyond Your 401(k)

When Does Rolling Over a 401(k)
to an IRA Make Sense?



A Big Decision

Life Changes. Should Your Retirement Plan Change With It?

Whether you've just changed jobs, been laid off or you're planning your transition into retirement, there's a good chance you have money sitting in a former employer's 401(k). And if you're like most Americans, you may have more than one. The average worker changes jobs roughly every four years, which means it's not uncommon to reach your 50s with retirement savings scattered across three, four, or even five different plans.¹

That leaves you with some important questions:

- **Should I move my old 401(k) into an IRA?**
- **What would I gain – and what might I lose?**
- **Is there a smarter way to help organize my retirement savings so they actually work for me?**

The answers depend on your age, your goals and the specifics of your situation; there is no single ideal answer that fits everyone. In the following pages, we'll walk through the key considerations – the real benefits of an IRA rollover, the genuine advantages of keeping your 401(k) and the life events that often tip the scales one way or the other.

Our goal is simple: to give you the information you need to help make a confident, well-informed decision – ideally with the guidance of a financial professional who understands your full picture.

The Neighborhood Rules

Think of your 401(k) like a home in a well-managed neighborhood with a homeowners' association (HOA). The HOA provides real benefits – maintained common areas, consistent property values and shared amenities. But it also comes with rules. You can't paint your house any color you like. You can't build a deck without approval. Your landscaping choices are limited to what the board permits.

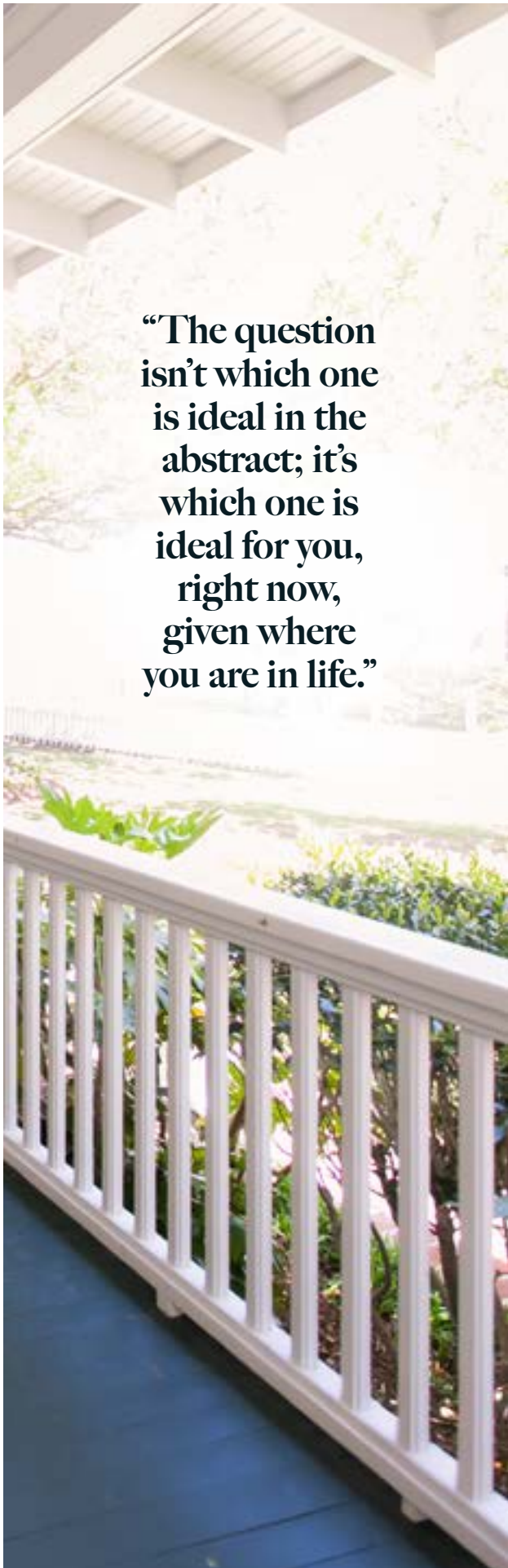
A 401(k) works in much the same way. Your employer – the plan sponsor – selects the investment menu, sets the withdrawal rules and determines how the plan operates. Most plans offer an average of 28 investment options chosen by the sponsor.² That's your approved color palette. You can choose among those options, but you can't go outside them, no matter how well a particular investment might suit your needs.

An IRA, by contrast, is more like owning your home outright – on your own land, by your own rules. You choose the investments. You decide when and in what ways to take withdrawals. You set the terms. With an IRA, you can invest in individual stocks, bonds, mutual funds, ETFs, real estate investment trusts and, in some cases, alternative assets. The universe of choices expands dramatically.

Of course, just as the HOA neighborhood offers conveniences and services you wouldn't get on your own, the 401(k) has advantages that an IRA simply cannot replicate – employer matching contributions and stronger creditor protection being two of the most significant. The question isn't which account type is ideal in the abstract; it's which one is ideal for you, right now, given where you are in life.

When Life Opens a Door

Certain life events create natural decision points – moments when the question of what to do with your 401(k) becomes both timely and important. A job change. A layoff. Retirement. Even reaching a certain age within your current plan. Let's look at the ways real people navigate these crossroads.



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Real-Life Crossroads



Changing Jobs: Meet Sarah

Sarah is 42 and has just started her third job in 10 years. She has two old 401(k) accounts with former employers totaling about \$185,000. She hasn't looked at either one in years. One plan charges administrative fees that she wasn't even aware of, and the other offers a limited menu of funds that no longer align with how she wants to invest.

For Sarah, consolidating those old accounts into a single IRA makes practical sense. She gains access to a broader range of investments, eliminates the forgotten-account problem and can work with a financial professional to build a portfolio tailored to her goals. She's also helping to avoid the risk of a former employer changing plan administrators or investment options without her knowledge.³

Did You Know?

The median job tenure in the United States is just 3.9 years. A typical worker could accumulate five or more 401(k) accounts over their career.⁵

Under SECURE 2.0, if you leave a job with a 401(k) balance under \$7,000, your former employer may automatically cash it out or roll it into a default IRA – often with very limited investment options.

Getting Laid Off: Meet James

James is 55 and was recently laid off after 18 years with the same company. His 401(k) holds \$420,000. He's weighing his options carefully.

Because James is between 55 and 59½, the Rule of 55 matters. If he leaves his money in his former employer's plan, he can take penalty-free withdrawals right now – something he cannot do with an IRA until he turns 59½.⁴ But if he doesn't need immediate access and wants more control over his investments, a rollover could give him the flexibility he's looking for.

The key for James: **Understand the trade-off before making the move.** Once funds leave a 401(k), the Rule of 55 no longer applies.

IRA Penalty-Free Withdrawal Options⁶

An IRA offers certain penalty-free withdrawal options that a 401(k) does not. For example, you can withdraw funds from an IRA before age 59½ without the 10% early withdrawal penalty to pay for qualified higher-education expenses or up to \$10,000 toward a first-time home purchase. These exceptions are unique to IRAs – they do not apply to 401(k) plans. Ordinary income taxes still apply to any pre-tax amounts withdrawn.



Retiring: Meet Linda and Tom

Linda and Tom are both 66 and planning to retire within the year. Together, they have about \$780,000 spread across Linda's current 401(k) and Tom's old plan from a job he left five years ago.

For this couple, an IRA rollover opens doors that their 401(k) plans don't. They want the ability to manage their tax bracket year by year – taking larger distributions in some years, smaller ones in others. They're interested in converting a portion to a Roth IRA while their income is temporarily lower in early retirement. And they're exploring annuity options that could provide predictable income for the rest of their lives.

Not All 401(k) Money Plays by the Same Rules⁷

Most people assume that nothing in their 401(k) can be touched until they leave their job or turn 59½. That's true for your own pre-tax contributions, which are federally restricted until age 59½. But employer contributions might be a different story. Profit-sharing and certain employer matching contributions can often be withdrawn while you're still working, at whatever age or service threshold your plan document allows – and some plans impose no age requirement at all. The key is knowing what your plan permits.



Still on the Job: Meet Karen

Karen is 52 and has been with her employer for 16 years. Her 401(k) holds \$480,000, roughly \$190,000 of which comes from fully vested employer matching contributions. She has no plans to leave her job, but she's frustrated with her plan's limited investment options.

A close review of her plan document reveals that, in her case, those employer contributions can be withdrawn after five years of participation, with no age requirement. Karen can roll that \$190,000 into an IRA right now – tax-free through a direct rollover – without leaving her job, without any penalty and without disrupting her ongoing contributions or future employer match. The money she moves gains access to a wider range of investments. Meanwhile, her 401(k) keeps growing.

For Karen, the plan document turned out to be the key that unlocked a door she didn't know existed.

These are hypothetical examples provided for illustrative purposes only; they do not represent real life scenarios, and should not be construed as advice designed to meet the particular needs of an individual's situation.



What an IRA Can Put on the Table

Investment Freedom

While most 401(k) plans limit you to a pre-selected menu, an IRA lets you invest across the full spectrum – individual stocks, bonds, mutual funds, ETFs, REITs and more. For someone like Sarah who wants a portfolio built around specific goals, or Linda and Tom who need income-generating investments in retirement, that flexibility can make a meaningful difference.

Lower Fee Potential

Fees matter more than most people realize. One study found that a 1% difference in fees can reduce your retirement savings by up to 17% over 20 years.⁸ To be fair, not all 401(k) plans are expensive – the average expense ratio is 0.33% for stock funds⁹ and 0.28% for bond funds. But some plans, particularly those offered by smaller employers, could carry significantly higher costs. An IRA could offer access to commission-free ETFs and index funds with very low expense ratios. The key is to compare actual fees side by side before making a move.

Roth Conversion Opportunities

Some 401(k) plans now offer a Roth option, allowing you to make after-tax contributions that grow tax-free. But if your plan doesn't offer one – or if you've already left that employer – rolling a traditional 401(k) into a traditional IRA can position you for strategic Roth conversions on your own terms. You control the timing and the amounts, shifting pre-tax money into a Roth IRA where it can grow and be withdrawn tax-free. This is especially powerful during lower-income years, such as the gap between retirement and age 73, when required minimum distributions begin.

One important caution: the pro-rata rule. If you have both pre-tax and after-tax money across your IRAs, the IRS requires proportional taxation on any conversion.¹⁰ A financial professional can help you navigate this.

Additional Contributions

Once you leave an employer, you can no longer contribute to that company's 401(k). But a rollover IRA remains open for business. For 2026, the IRA contribution limit is \$7,500 – or \$8,600 if you're 50 or older. This allows continued tax-advantaged saving during periods between jobs or in semi-retirement¹¹

Please remember that converting an employer plan account to a Roth IRA is a taxable event. Increased taxable income from the Roth IRA conversion may have several consequences. Be sure to consult with a qualified tax advisor before making any decisions regarding your IRA.



Annuity Options for Lifetime Income

Perhaps the most compelling reason for retirees to consider a rollover is access to annuity products that can convert accumulated savings into predictable lifetime income. An IRA opens the door to immediate annuities that begin paying within 30 days, deferred annuities that allow continued tax-deferred growth and Qualified Longevity Annuity Contracts that can provide income as late as age 85, while reducing required minimum distributions along the way.¹²

The Annuity Advantage

TIAA's 2025 data shows that a retiree who converted one-third of \$1 million in savings into a fixed annuity received \$13,154 more in first-year income compared to following the traditional 4% withdrawal rule alone. That's a 33% income advantage – with the added confidence of payments for life.¹³

Think of it this way: If your IRA is the house you own free and clear, an annuity is like converting part of that house into a predictable monthly rental check that arrives for as long as you live – no matter what the market does.



The Case for Staying Put

A rollover isn't always the right answer. The 401(k) has genuine advantages that deserve serious consideration – particularly for younger workers still building their careers and their savings.

Employer Matching: Free Money You Can't Replicate

If your employer matches your contributions, maximizing that match should be your first priority – before even thinking about an IRA. The average employer contribution rate is 4.8% of salary.¹⁴ On a \$75,000 income, that's \$3,600 a year in free money. Over a 30-year career with compound growth, that match alone could grow to well over \$300,000.

Under SECURE 2.0, employers can now also match contributions based on qualified student loan payments – a meaningful benefit for younger workers paying down education debt who might otherwise skip retirement contributions entirely.¹⁵

Higher Contribution Limits

The contribution gap between a 401(k) and an IRA is substantial. For 2026, you can contribute up to \$24,500 to a 401(k) compared to just \$7,500 to an IRA. For workers aged 50 and older, the 401(k) allows catch-up contributions of \$8,000, and for those aged 60 to 63, a “super catch-up” of \$11,250. There's simply no IRA equivalent.¹⁶

Feature	401(k) – 2026	IRA – 2026
Base contribution	\$24,500	\$7,500
Catch-up (50-59, 64+)	\$8,000	\$1,100
Super catch-up (60-63)	\$11,250	N/A
Employer match	Yes	No

The Power of Starting Early

For younger workers, the most important advantage isn't which account type you use; it's that you start. An employee who begins saving \$6,000 per year at age 25 with a 7% average return would accumulate over \$1.2 million by age 65. The same saver starting at 35 would accumulate roughly half that amount.¹⁷ Employer matching amplifies the effect further.

Creditor Protection¹⁸

401(k) plans and other employer-sponsored retirement accounts – including 403(b)s, pensions and cash balance plans – are protected under the Employee Retirement Income Security Act (ERISA). This federal protection is broad: General creditors cannot force you to withdraw funds from these accounts, regardless of the balance. There are limited exceptions, but the shield is strong.

So, what happens when you move that money into an IRA? The protection changes. Because IRAs are individual accounts, they don't fall under ERISA's umbrella. They do carry protections in many cases – for example, up to approximately \$1.7 million is shielded in federal bankruptcy proceedings – but the specifics depend on your situation and, importantly, on the state where you live.¹⁹

The Rule of 55

Workers who leave their employer in or after the year they turn 55 can take penalty-free withdrawals from that employer's 401(k) – without waiting until 59½. This rule does not apply to IRAs. For people planning early retirement, keeping funds in a 401(k) preserves an important liquidity bridge.



Your Next Step

The decision to roll over a 401(k) into an IRA – or to leave it where it is – is rarely black and white. It depends on where you are in life, what your plan offers, what you need from your savings and what comes next.

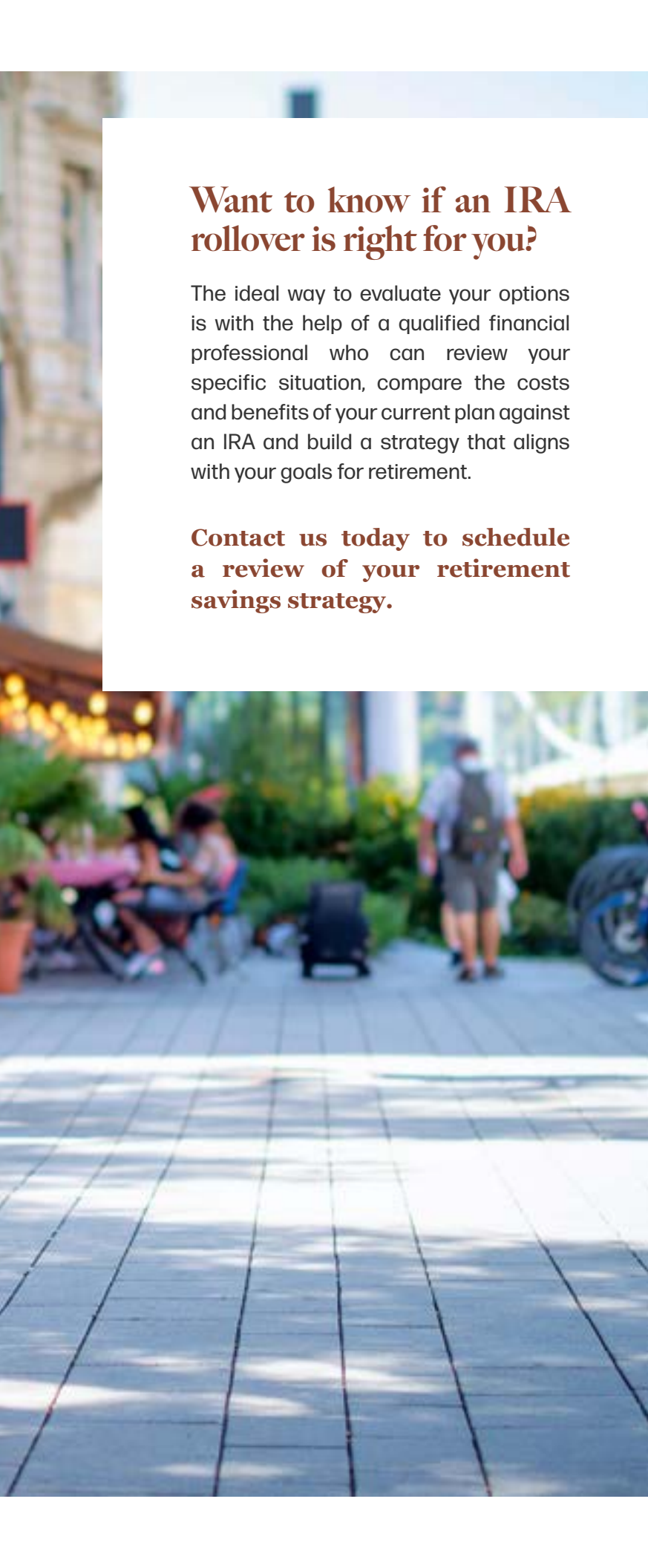
For younger workers still building their careers, the 401(k) is often a more ideal home for retirement savings – particularly when there's an employer match on the table, and you're taking advantage of higher contribution limits. The structure and confidence of a well-run plan can offer a solid foundation.

For those in transition – changing jobs, navigating a layoff or stepping into retirement – an IRA rollover can offer the flexibility, control and income strategies that a former employer's plan simply cannot match. Investment choices open up. Fees may come down. Greater Roth conversion strategies may become available. And for retirees, the ability to convert savings into predictable lifetime income through an annuity may provide the financial confidence that few other options can.

Key Takeaways

- There is no one-size-fits-all answer. Your age, goals and plan details all matter.
- If your employer matches your contributions, consider maximizing that benefit before anything else.
- If you've changed jobs, don't leave old 401(k) accounts scattered and unmanaged.
- An IRA rollover may unlock investment flexibility, lower fees, Roth strategies and annuity options.
- Understand what you'd give up: the Rule of 55, ERISA creditor protection, and higher contribution limits.
- A financial professional can help you compare the specifics and make the ideal call.





Want to know if an IRA rollover is right for you?

The ideal way to evaluate your options is with the help of a qualified financial professional who can review your specific situation, compare the costs and benefits of your current plan against an IRA and build a strategy that aligns with your goals for retirement.

Contact us today to schedule a review of your retirement savings strategy.

¹ USA Facts. Dec. 19, 2024. "How long do Americans stay at their jobs?" <https://usafacts.org/articles/how-long-do-americans-stay-at-their-jobs/>. Accessed Feb. 23, 2026.

² ICI Research. July 2024. "Ten Important Facts About 401(k) Plans." <https://www.ici.org/system/files/2023-10/ten-facts-401k.pdf>. Accessed Feb. 23, 2026.

³ Charles Schwab. Aug. 29, 2025. "Changing Jobs: Should You Roll Over Your 401(k)?" <https://www.schwab.com/learn/story/changing-jobs-should-you-roll-over-your-401k>. Accessed Feb. 24, 2026.

⁴ Rebecca Lake. SmartAsset. Feb. 17, 2026. "What Is the Rule of 55 and How Does It Work?" <https://smartasset.com/retirement/401k-55-rule>. Accessed Feb. 24, 2026.

⁵ U.S. Bureau of Labor Statistics. April 9, 2025. "Median tenure with current employer was 3.5 years in private sector in January 2024." <https://www.bls.gov/opub/ted/2025/median-tenure-with-current-employer-was-3-5-years-in-private-sector-in-january-2024.htm>. Accessed April 6, 2026.

⁶ Brian Baker and Cindy Perman. Bankrate. Dec. 23, 2025. "8 ways to take penalty-free withdrawals from your IRA or 401(k)." <https://www.bankrate.com/retirement/ways-to-take-penalty-free-withdrawals-from-ira-or-401k/>. Accessed March 3, 2026.

⁷ DWC. 2026. "In-Service Distributions FAQs." <https://www.dwc401k.com/knowledge-center/in-service-distributions>. Accessed April 3, 2026.

⁸ Basic Capital. Dec. 12, 2025. "IRA vs 401(k) Fees: What Employers Should Communicate About Total Cost." <https://basiccapital.com/401k-resources/ira-vs-four-oh-one-k-fees-what-employers-should-communicate-about-total-cost>. Accessed Feb. 24, 2026.

^{9,10} Sandra Block. Kiplinger. Nov. 3, 2025. "Four Reasons to Roll Over Your 401(k) into an IRA (And Four Reasons Not To)." <https://www.kiplinger.com/article/retirement/to32-c000-so02-pros-and-cons-of-rolling-your-401-k-into-an-ira.html>. Accessed Feb. 23, 2025.

¹¹ IRS. Nov. 13, 2025. "401(k) limit increases to \$24,500 for 2026, IRA limit increases to \$7,500." <https://www.irs.gov/newsroom/401k-limit-increases-to-24500-for-2026-ira-limit-increases-to-7500>. Accessed Feb. 23, 2026.

¹² Ken Nuss. Medical Economics. March 24, 2025. "How to get lifetime income from your Roth or traditional IRA." <https://www.medicaleconomics.com/view/how-to-get-lifetime-income-from-your-roth-or-traditional-ira>. Accessed Feb. 23, 2026.

¹³ TIAA. "How to turn retirement savings into more guaranteed income." <https://www.tiaa.org/public/invest/services/wealth-management/perspectives/annuity-versus-4-percent-rule>. Accessed Feb. 23, 2026.

¹⁴ Fidelity. Q1 2025. "Retirement analysis." <https://about.fidelity.com/data-and-insights/q3-2025-retirement-analysis>. Accessed Feb. 23, 2026.

¹⁵ Fidelity. Dec. 23, 2025. "SECURE 2.0: Rethinking retirement savings." <https://www.fidelity.com/learning-center/personal-finance/secure-act-2>. Accessed Feb. 23, 2026.

¹⁶ IRS. Nov. 13, 2025. "401(k) limit increases to \$24,500 for 2026, IRA limit increases to \$7,500." <https://www.irs.gov/newsroom/401k-limit-increases-to-24500-for-2026-ira-limit-increases-to-7500>. Accessed Feb. 23, 2026.

¹⁷ Investor.gov. Compound Interest Calculator. <https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>. Accessed Feb. 23, 2026.

¹⁸ Western Southern. Nov. 11, 2024. "Can I Protect Retirement Savings From Creditors?" <https://www.westernsouthern.com/retirement/can-i-protect-retirement-savings-from-creditors>. Accessed Feb. 23, 2026.

¹⁹ Northeast Planning Associates, Inc. May 27, 2025. "IRA Creditor Protection Update." <https://www.dlucente.com/blog/ira-creditor-protection-update>. Accessed March 23, 2026.



Converting an employer plan account or Traditional IRA to a Roth IRA is a taxable event. Increased taxable income from the Roth IRA conversion may have several consequences including, but not limited to, a need for additional tax withholding or estimated tax payments, the loss of certain tax deductions and credits, and higher taxes on Social Security benefits and higher Medicare premiums. Be sure to consult with a qualified tax advisor before making any decisions regarding your IRA.

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Guarantees and protections provided by insurance products, including annuities, are backed by the financial strength and claims-paying ability of the issuing insurance carrier.
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