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Written by Jim Zientara

### **In-Service Withdrawal from certain retirement plans**

An in-service withdrawal is a unique opportunity to withdraw from certain retirement plans while still working.

Some reasons to do so are to get away from the company's limited investment options and move where there are more options and better advice, you want control, convert your IRA into a Roth IRA, and other reasons.

Each retirement plan has its own rules. Check with your company and get their rules in writing. Also check with your tax advisor as to how this strategy may affect you since I do not give tax advice. The following are common strategies.

Let's assume for illustration purposes that you are considering an in-service withdrawal from a company's 401(k) to your IRA account at a pretend company called Helpful Planner Company as Custodian. Here is a brief summary of the complicated process.

Generally, if you are over 59 ½ and your company allows it, you may be eligible to do an in-service withdrawal of your money, but not the company's match money. Some or all of your account balance may be available for you to withdraw after deducting for any loans.

This may not affect your participation or match in the 401(k). You still contribute to and generally receive the company match to the 401(k) plan while you are employed.

You have two choices for an in-service withdrawal. Choose wisely.

1. Take the money and pay income taxes on all the money you withdraw. Best to avoid.
2. Rollover the money into your IRA. Pay taxes only on the money you take out of the IRA.

If you decide on a rollover, you open an IRA account at Helpful Planner. Name your beneficiaries in case you die. The in-service withdrawal rollover money goes from your company 401(k) into your IRA account.

There are several ways of transferring money from the 401(k) Custodian to Helpful Planner Custodian. It will take time to do this.

1. Call the custodian of your company's 401(k). The company will ask to identify yourself with items such as your Social Security number, PIN, date of birth, etc.
2. Ask for an in-service withdrawal from your 401(k) since you are over age 59 ½. There may be company paperwork and ask that they send it to you.
3. Ask for your balance in the 401(k) plan, excluding company match. This is normally your maximum withdrawal amount. The rollover is generally not a taxable event because you are rolling from the company 401(k) to your IRA at Helpful Planner, the new Custodian.
4. Be sure to tell the company's custodian NOT to withhold any taxes. This is a rollover to an authorized IRA Custodian and if done properly is not a taxable event.

This may be confusing so get help before you do anything that might cause a problem.

There are usually two options to receiving the rollover into your IRA account.

The first option is for the company's custodian to send you the rollover check. It generally is payable to Helpful Planner Custodian for your IRA account. Ask the company when is the expected mailing date.

Be very sure to tell them you are doing a rollover and do not withhold any IRS taxes.

Once you get the check, you have up to 60 days from the date on the check to deposit the check into your Helpful Planner's IRA account. Don't wait until the last day because the check will take some days to clear the bank and be deposited into your IRA account.

The second option is a direct rollover. The custodian will wire transfer the money directly from the company's custodian to your Helpful Planner account.

Once the money is in your IRA account, you will now be in control of your money. There are many things you can do with it.

1. Pay taxes on each withdrawal from your IRA account up to the maximum balance in your account.
2. You might set up an arrangement for a monthly distribution to be sent directly from your IRA to your checking account. You pay taxes only on each distribution. Ask your tax advisor for the percentage amount to be withheld for the IRS, such as 10% or may 20%.
3. Talk to your financial advisor about the strategy for managing your IRA.

Be careful with the in-service withdrawal. You do have money available to spend, but spend it wisely. It is your retirement money and it may have to last until your responsibilities stop or you die.

Jim Zientara is a Financial Planner with Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc.

He can be reached at 941-750-6818 or at [www.raymondjames.com/jz](http://www.raymondjames.com/jz) with office at 11009 Gatewood Drive, Suite 101, Lakewood Ranch, FL 34211. Any opinions are those of Jim Zientara and not necessarily those of Raymond James.

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