Understand your distribution options when leaving your job

American workers have been with their current employer an average of 4.1 years.[1]

[1] Bureau of Labor Statistics, Employee Tenure in 2022, September 22, 2022.

It's important to consider the whole picture when you're leaving your job and deciding what to do with your retirement plan assets. Taking time now to evaluate your retirement strategy may help you make an informed decision that aligns with your goals. We can help you understand your distribution options, and your Lincoln representative can provide more details or answer your questions.

What are your options?

Option #1: Leave your assets in your current plan.

If you like your current plan, and your plan allows it, you may want to leave your assets where they are. Remember, a plan that meets your goals today may not meet them in the future, and some limitations may be placed on inactive accounts. When evaluating this option, you should ask yourself whether:

- You're content with your current plan
- You like the investment options in the plan
- The current level of flexibility and control suits your needs
- You're comfortable with plan limitations or provisions
- You're aware of plan costs

Option #2: Roll your assets into an Individual Retirement Account (IRA).

If you have assets in more than one retirement account, a direct roll-in may allow you to consolidate your assets while maintaining tax-deferred growth. You can roll all of your retirement plan assets into one account, which may simplify managing your money. This type of plan may have different fees, so check before you decide. When evaluating this option, you should ask yourself whether:

- You want to save for retirement outside of your employer-sponsored retirement plan
- You want more flexibility than your employer's plan offers
- You prefer the simplicity of a single IRA
- You want the ability to move roll-in assets to a future employer's plan or to convert to a Roth IRA
- You're aware of plan costs

YOU MAY WANT TO CONSIDER AN ANNUITY.

Qualified annuities are investment products that pay income for life or for a set period. If you're concerned about outliving your retirement savings, want to protect your savings from stock market swings, and are willing to pay more for optional guarantee features, if necessary, an annuity may work for you.

Option #3: Move your savings into your new employer's plan.

Compare your current and new plans and think about whether one better matches your retirement savings goals. Examine the investment options, fees, and provisions before making a decision. When evaluating this option, you should ask yourself whether:

- You prefer the investments in the new plan
- You like the idea of consolidating your savings
- You prefer to manage just one account
- The plan's provisions are acceptable for the assets you're rolling in and for your new contributions
- You're aware of plan costs

Option #4: Take the cash.

Taking a cash distribution may cost you now and later. You may pay taxes and penalties that greatly reduce your savings, and you may lose the wealth-building power of compounding over time. Make sure you understand the pros and cons before deciding to cash out.

Be aware of the effects of potential taxes and penalties.

$50,000	**Jim's retirement plan savings**	
–$10,000	Standard tax	The plan administrator automatically deducts 20%, as required by law. 20% of $50,000 = $10,000
–$5,000	Early withdrawal penalty	Jim is not yet 59½, the age when he can begin taking penalty-free withdrawals. He owes an additional 10% in penalties. 10% of $50,000 = $5,000
–$3,825	Federal tax bracket	Jim has a salary of $90,000. With the additional $50,000 lump sum distribution, he's in the 24% income tax bracket. Federal taxes on a lump-sum distribution are an estimated $3,825.
–$2,500	State and local taxes	We deducted $2,500 for state and local taxes, based on a 5% average tax rate; this amount may be higher or lower, depending on where Jim lives.
$28,675	Jim's taxes and penalties add up to $21,325, which is subtracted from his savings total. **His $50,000 distribution now totals only $28,675.**	

Ask your Lincoln representative for help understanding your options so you can make the decision that's right for you.

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