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What Should Your Clients Do With Their 401(k) Now?

It has never been more important for your clients to roll over their 401(k) plan, especially if they have separated from service.

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by Neal Frankle, CFP

The main reason I say this is because your clients [don't know who they can trust](#) today — and for good reason. Most everyone you talk with these days have the same concerns. They are afraid of having their life savings stripped out of their hands. As much as I hate to say it, these fears are not unreasonable.

As I see it, there are three main benefits to your client rolling over their old 401(k) plans.

1. You never know what the administrator is going to do with your clients' money. Your clients can roll their old plan over to a custodian like TD Ameritrade or Fidelity. If they do it correctly, they won't have to worry about paying taxes and they won't have to worry about their money becoming invisible.
2. Your clients will have more investment options at a third-party administrator. Typically, 401(k) plans have a few dozen investment choices at best. A large custodian has thousands of choices and they usually include lower cost alternatives than the funds available through the plan.
3. Your clients need to roll over their 401(k) plan to gain greater flexibility with respect to their beneficiary selection. Just the fact that they are filling out the transfer documents insures that they will review the beneficiary designations and they likely haven't done that in years. This gives them the opportunity to consider using the Beneficiary IRA program if applicable. Also, the large third party administrators allow much greater planning possibilities when it comes to beneficiary selection compared to the employers.

What if your client is still working? What steps should they take?

My advice on this is very straight-forward. Your clients should make sure that they continue to maximize their contributions — even if their employers have suspended their match. This allows your clients to take advantage of current low prices and dollar-cost averaging. It would be nice if the employer matched the contribution but even if they don't, your clients should continue taking advantage of the plan.

At the same time, it makes sense for your client to make sure their assets are safe. I generally recommend against people investing in stock in their own firm. This centralizes too much risk. If the company goes down, your client's job and 401(k) will crash and burn too. Diversify!

Of course, your client should also make sure that deposits are actually finding their way into your clients' actual accounts. This is an easy step but often overlooked. I suggest that your clients call the third-party custodian to confirm the balance reconciles with the statements. Better safe than sorry.

In summary, your clients should roll over their old 401(k) plans for improved safety, control, investment choices and planning. If they are still working, continue contributions and make sure their money is safe.

The final tip is to make sure your clients plans are invested in such a way that is consistent with their core values. Sure, take the time to do the right planning, but make sure your planning for [what your clients really value in life](#).

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Neal Frankle, CFP, is the author of *Why Smart People Lose a Fortune: 5 Steps to Restoring Your Wealth and Sanity*. He helps affluent clients establish and implement a safety-net strategy to protect their wealth. He also helps other professionals, such as CPAs, do the same for their clients. If you would like to receive updates on other topics of interest to you and your clients, please register for my [free e-mail newsletter here](#).

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