

5 REASONS TO ROLL OVER YOUR RETIREMENT FUNDS TO AN IRA

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In these turbulent economic times, the headlines are full of news about layoffs. With job loss can come questions about what to do with retirement savings such as your 401(k) plan. A rollover to an IRA may be a good move for you. Here are five reasons why:

- 1. You can continue your retirement savings. When you contributed to your employer's plan, you made the smart decision to save for retirement. Rolling those funds over to an IRA will allow you to preserve those dollars for your retirement and even add to them in the future. You could keep your funds in an IRA and make IRA contributions or you could move the funds over to a future employer's plan. Either way, your retirement savings will remain intact and potentially grow.*
- 2. You can avoid a tax hit. Times are tough and it may be tempting to hold on to any funds distributed to you from your employer plan. If you do, there will likely be a tax bill. Most retirement plan funds are taxable when distributed. Even worse, if you are under age 59½, you will be hit with a 10% early distribution penalty, unless an exception applies.*
- 3. You can choose investments that are right for you. Losing a job or changing jobs can be stressful and overwhelming. It may be tempting to just ignore your retirement savings and leave them in your former employer's plan. By taking this path of least resistance, you may be missing out. Your employer plan may offer some solid investment choices. However, by rolling over to an IRA, you can take advantage of many more. The choices for IRA investments are almost limitless and you should be able to find some that most closely suit your needs.*
- 4. You can keep it simple. An IRA is a good place to consolidate all retirement funds. It can help you easily stay in control by not having to keep track of several company plans and IRAs and the beneficiary and withdrawal options on each plan.*
- 5. You have RMD advantages. When you reach age 73, you will have to take required minimum distributions (RMDs) from your retirement account. IRAs can offer RMD advantages that employer plans cannot. If you are charitably inclined, you can do a tax-free qualified charitable distribution (QCD) directly from your IRA to the charity of your choice and satisfy your RMD. (You can also do a QCD before your RMD age, as long as you are 70½ or older.) QCDs are not available from plans. Also, if you have multiple IRAs, you can aggregate your RMDs and take the total from one. Aggregation of RMDs is not possible with employer plans (except 403(b) plans).*

Rolling over to an IRA can offer many advantages, but everyone's situation is different. Think carefully and weigh your options. If you do decide a rollover is for you, consider doing a direct rollover to an IRA instead of a 60-day rollover. With a direct rollover your retirement funds can go right to your IRA. You avoid concerns about missing the 60-day deadline and you can skip any withholding requirements.

Don't hesitate to consult a knowledgeable financial or tax advisor if you have questions. Your retirement savings are on the line. If you decide an IRA rollover is the right move for you, you will want to be sure the transaction is done properly.

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