



Westco Financial News

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What Happens to Your 401(k) When you Retire (Or Find a New Job)?

Congratulations! You're now retired (or you left your old job for a new one). Over the course of your career you've been diligently saving for your retirement in your 401(k), but now that you're leaving, you're wondering what is going to happen to that account and what should you do next?

What is a 401(k) again?

Before we dive into what you should do next, let's do a quick recap on what a 401(k) is. A 401(k) is an employer sponsored retirement account where your contributions come directly out of your paycheck, pre-tax. Your employer may also contribute to your 401(k) through a match, which is a set percentage of your salary.



What happens to my 401(k) when I retire (or quit)?

Since your 401(k) is connected to your employer, when you retire (or quit your job) you can no longer contribute to it anymore. Don't worry though, the money already in the account is still yours. You're normally able to leave your money in this account for as long as you want, with a couple of exceptions.

- If you contributed less than \$1,000: your old employer might just mail you a check for the amount, since it costs them money to maintain your account. If this happens, make sure to invest it into another retirement account ASAP so you do not face penalties from the IRS.
- If you contributed less than \$5,000: just like with the first scenario your employer might not want you to keep your account with them, but they might give you time to rollover your money to another retirement account instead of sending you a check.
- If you had a 401(k) match: you get to keep any money you contributed, plus your employers vested match contributions.

What should I now do with my 401(k)?

- **You can withdraw the money:** If you are over 59 1/2, you can withdraw from your account with zero penalties, but you will be taxed at your tax

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What Happens to Your 401(k) When you Retire (Or Find a New Job)?(Cont.)

bracket rate at the time of the distribution. If you are under 59 ½, you can withdraw money from your 401(k), but we would advise against that since unless you are facing extreme financial hardship, you will be heavily taxed on the withdrawal.

- **You can do nothing:** as mentioned earlier, if you made more than \$5,000 you could technically leave your money in its current account. We wouldn't necessarily recommend this option though, since unless you can actively monitor your account and make changes to it, you might be missing out on potential growth from moving your account elsewhere.
- **You can roll it over into a new (or already existing) retirement account:** There are a few reasons that you might want to rollover your current 401(k) into either a new retirement account or one that you already have. If you are starting a new job that offers a 401(k), they might allow you to roll your old account into your new one. This can be a good idea if your new plan has low fees and good investment options, since then you would have all your investments in one place. However, many 401(k)'s have limited options when it comes to investing, which is why it could be a good idea to roll your old 401(k) into a Traditional IRA, since rollovers do not count towards the \$6,000 Traditional IRA contribution limit. By doing this, you can have greater diversity in your account. If you are retiring, rolling your 401(k) over into a new IRA allows your financial advisor to make recommendations for your financial situation, and help to properly diversify and monitor your accounts. When your money is in a 401(k), your financial advisor can give you recommendations (Did you know Westco has a 401(k) analysis program? Call today for more info!), but they cannot make the changes for you.



There is no wrong option to make regarding what to do with your 401(k), but talking with your financial planner will help you make the best decision for your individual circumstances. Also, once you withdraw from your 401(k), you have 60 days to decide on where you will move your money to. If you miss this deadline, the IRS will assume that you cashed out your account and you will be charged the penalties mentioned above.

As always, these options are just suggestions to help begin the planning process for your 401(k). For help with your decision, please contact **Westco Financial Group** at 516-593-5070 to schedule your complimentary appointment today!

8 Items to Cross Off Your 2019 Year-End Financial Checklist

As you approach the end of 2019 (and the current decade!), now is the time to review your finances. Below are eight things to consider for your year-end financial checklist.

1. **Review your portfolio:** A professional financial planner can help you evaluate whether or not you're on track to meet your goals, and how to help if you are not.
2. **Max out your employer-sponsored retirement plan contributions:** Many companies offer a retirement plan to their employees. The amount you can contribute is dependent on the type of retirement account, so check with your HR department to see how much you can contribute for 2019. If your company offers a match, try to save at least that amount, otherwise you are throwing away free money.
3. **Take your required minimum distributions (RMDs):** If you are 70½ or older, you're required by the IRS to take RMDs from your retirement accounts (except for Roth IRA's) by December 31. If you do not take your RMD, you face a penalty equal to 50% of the sum you failed to withdraw.
4. **Reduce your capital gains taxes:** Any capital losses you realize before December 31 can be used to offset your gains from the year. If your total losses are greater than your gains, you can offset an additional \$3,000 of ordinary income. Then, any losses beyond that limit can be carried forward to future tax years.
5. **Review your insurance needs:** Now is the perfect time to make sure there are no gaps in your insurance, including your life, home, auto, and business coverage.
6. **Spend any unused flex dollars:** Unused funds in your Flexible Spending Account (FSA) are forfeited at year's end, so you need to use them for eligible health and medical expenses by December 31. Your plan may offer a grace period where you can roll over unused funds, but make sure to check with your HR department.
7. **Contribute to a 529 plan:** If you have a 529 plan for your child, all contributions must be made before the end of the year in order to take advantage of any state-income-tax benefits, or to be eligible for the federal gift-tax exclusion.
8. **Confirm your beneficiary designations:** Now is the time to review the beneficiaries on your accounts to make sure they are all up to date.

Following a checklist for your end of year finances can help set you up for successful 2020. **Westco Financial Group** is here to help you with all your financial needs. Call 516-593-5070 to set up your complimentary appointment today!



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What's Happening at Westco?

We would like to wish you a
Merry Christmas,
a Happy Hanukkah,
and a very Happy New year!

From,
Westco Financial Group