

More freedom, more options

In-service, non-hardship withdrawals

The 401(k), 403(b), profit-sharing, and other savings and investment plans you have at work can be powerful retirement tools, but they may lack the flexible features you need to meet your overall retirement objectives.

The good news is that you may not have to stay with your employer's plan. Some plans have a provision called an "in-service, non-hardship withdrawal." This allows you to withdraw, or roll over a portion of your work plan's assets to an IRA, while still employed and staying active in the original plan.

It can help you move on to the retirement strategy you want and pursue personal financial goals on your terms.

Tip:

Request a Summary Plan Description from your plan administrator through your employer. It will outline how withdrawals may or may not be made from your 401(k), 403(b), profit-sharing plan, money purchase plan, stock bonus plan, or stock ownership plan.

What portions of a plan may be eligible for an in-service, non-hardship withdrawal, and when?

Contribution type	When may it be eligible?
Vested employer contributions (includes profit-sharing plan contributions, matches, and earnings on employer contributions)	<ul style="list-style-type: none">• Satisfaction of a period-of-service requirement (this distribution could be subject to a 10% additional tax)• Attainment of age 59½• Disability
Employee contributions (includes money deferred from the employee's salary)	<ul style="list-style-type: none">• Attainment of age 59½• Disability
Rollovers from a previous plan, and any earnings generated from a rollover	<ul style="list-style-type: none">• Available at any time (this distribution could be subject to a 10% additional tax)

Why an in-service withdrawal may be a good fit for you

Expanded investment options

When you roll assets into an IRA, you can gain access to a broad array of investments, including many that may not be available in your 401(k). For example, your financial professional may be able to offer exchange-traded funds, individual stocks and bonds, alternative investments, or mutual fund families that are more in line with your investment style.

Professional guidance

Financial professionals can offer investment guidance that reflects your personal goal-setting and pursuits. In addition, they can also provide insights on IRA rollover rules, how to structure beneficiary designations, and how to make your IRA fit with your overall objectives.

Guaranteed Income

Only 10% of defined contribution plans have an in-plan annuity option.¹ Once you roll your retirement assets into an IRA, you will have access to many options for generating guaranteed lifetime retirement income. Guarantees are based on the claims-paying ability of the issuing insurance company. Your financial professional can help you choose the option that is best for you.

¹ "Are In-Plan Annuities at a Tipping Point?" LIMRA, November 2023

Is your plan eligible?

Not all plans allow in-service, non-hardship withdrawals, or they allow them only under certain circumstances.

If you want to think about a move to align work savings with your overall retirement strategy, just ask your plan administrator for the Summary Plan Description (SPD). Available to every plan participant, the SPD explains the details of the plan – including withdrawal capabilities and limitations – in an easy-to-understand format. You can see if it is an option for you.

Things to consider

Like any financial strategy, rolling qualified plan assets into an IRA is not the best move for everyone. There are circumstances where leaving money in the plan may be to your advantage. Examples of what you may lose upon taking money out of the plan include, but are not limited to:

- The ability to take a loan from the plan – loans from IRAs are prohibited
- Net unrealized appreciation – If you hold employer stock
- Specific exceptions to the 10% withdrawal penalty that only apply to employer-sponsored plans
- The ability to defer required minimum distributions until April 1 of the year following the year of separation from service – if the plan allows it and you are not 5% or more owner of the business sponsoring the plan

Rollovers may be subject to differences in features and expenses. You should consult with a tax advisor regarding your particular situation.

What you can do today

If you believe an in-service, non-hardship withdrawal would be beneficial to your overall financial strategy, you should contact your employer-sponsored plan administrator to obtain a copy of the SPD. Once you have a copy of your SPD, you will be able to review, with your financial professional, the features of the plan, limitations of the plan, and what would be the appropriate next steps to position your retirement assets to meet your objectives.

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