

January 2012
Ask a Trust Officer

401(k) protection programs

DEAR TRUST OFFICER: When I retire in about a year, I'm expecting a six-figure distribution from my employer's 401(k) plan. The success of my retirement turns on what I do with this money, and I'm more than a little unsettled by the prospect. What should I do to keep all my options open?

—LOOKING AHEAD TO FINANCIAL INDEPENDENCE

DEAR LOOKING: I have two words for you: IRA Rollover. With this arrangement you can continue the tax deferral that your 401(k) account has enjoyed so far. Be sure that you use a "trustee-to-trustee" transfer of the funds to avoid the 20% tax withholding that otherwise would apply to your distribution.

Will your distribution include shares of stock in your employer? If so, you should consider *not* rolling those shares over, but accepting them for your taxable portfolio. Income taxes on "net unrealized appreciation" in those securities may be deferred in this manner. Your accountant can give you more details.

You'll also need an investment plan for your retirement money. When you undertake this, consider your taxable and tax-deferred funds as part of one large portfolio. The plan that you or your investment advisors come up with needs to take all of your resources into account, as well as your retirement income needs. You are wise to be looking into these questions a year before you retire. We can help you with all of these questions, if you wish.

Do you have a question concerning wealth management or trusts? Send your inquiry to [\[trustofficer@bankname.com\]](mailto:trustofficer@bankname.com).

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