When One Door Closes ... Another Opens

Job Change Presents Gateway to Retirement Planning

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“When one door closes, another opens,” so goes the saying. It holds true in one’s personal life, work life and even financial life.

Changing jobs provides proof. Moving to a different employer closes certain doors, such as past responsibilities, professional relationships and worksites. At the same time it opens new doors, often with similar elements. None of that is unexpected. Less obvious is how an employment change may, from a retirement planning perspective, present new doors of opportunity in a client's financial life.

Granted, retirement planning likely isn’t top of mind for someone in the midst of a job change. Training, transition, compensation, commute and more are the immediate concerns. Still, given its importance, consideration of the implications for retirement readiness belongs high on the to-do list. Job changers shouldn’t pack away retirement plan considerations with memorabilia and miscellany, to be forgotten after the final day at an employer.

Choose from as Many as Four Doors

For someone on the threshold of transitioning between employers and possibly even careers, the door swings open to four distinct possibilities for their retirement monies:

- leave it in the past employer’s plan
- move it to the new employer’s plan
- take it in cash
- roll it over into an IRA

Pros and cons accompany each. In evaluating alternatives, a client must balance potential short- and long-term consequences. Might a certain move make sense today then threaten to take financial well-being off the hinges?
Here is where a financial professional can both hold the door and provide a look beyond it, namely, helping a client address immediate needs while at the same time consider future objectives.

**Getting a Handle on the Right Choice**

Changing jobs opens the door to stronger ties with a financial professional. It is a key time for clients to work with a representative who is knowledgeable about retirement plan rollover matters and has adopted an open door policy in serving rollover candidates.

Here’s where it pays to have built a foundation of IRAs in your book of business. Many times, when someone leaves an employer, the rollover goes where other information already resides. That is to say, job changers often take their distribution to the representative who has their IRA.

Meeting this need has growing ranks of financial professionals nurturing their client relationships following events that trigger separation from a plan sponsor. In fact, more than $1 trillion will move into IRAs from now until 2015, according to a recent report (source: McKinsey & Company 2010). It’s a massive opportunity for representatives to expand their book of business.

Moving those dollars comes with a variety of deadlines, tax implications, plan rules and government requirements. For a client seldom encountering such matters, it can be an unsettling scenario. Amid the activity and stress accompanying a career move, retirement plan matters may be subject to anything from ill-considered action to outright neglect.

Clients who recognize this will welcome consultative help. Otherwise the alternative – failure to avoid pitfalls in handling retirement plans – may negatively impact financial well-being far into the future.

As always, it pays to be proactive. A financial professional should consider their book of business and look for clients who are making or have made career changes. They can consult with clients and help keep their financial future wide open.

The bottom line is, when it comes to job changes and retirement plans, opportunity really could be knocking ... for representatives and their clients.
First, Know the Law

Before doing anything, understand the activities of financial professionals recommending IRA rollovers to 401(k) participants are subject to U.S. Department of Labor supervision. If you or your firm is a fiduciary to the plan from which a rollover will take place, be aware that making a recommendation on a distribution or rollover, advising on how to invest rollover funds in an IRA or even answering questions about these matters may subject you to ERISA fiduciary responsibility and prohibited transaction rules. Consult your firm’s compliance or legal professionals for information and guidance.

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