



The 401(k) Rollover Checklist

7 Steps Before You Move Your Money

What to review, what to ask your old plan administrator, and the mistakes that cost people the most in taxes and fees.



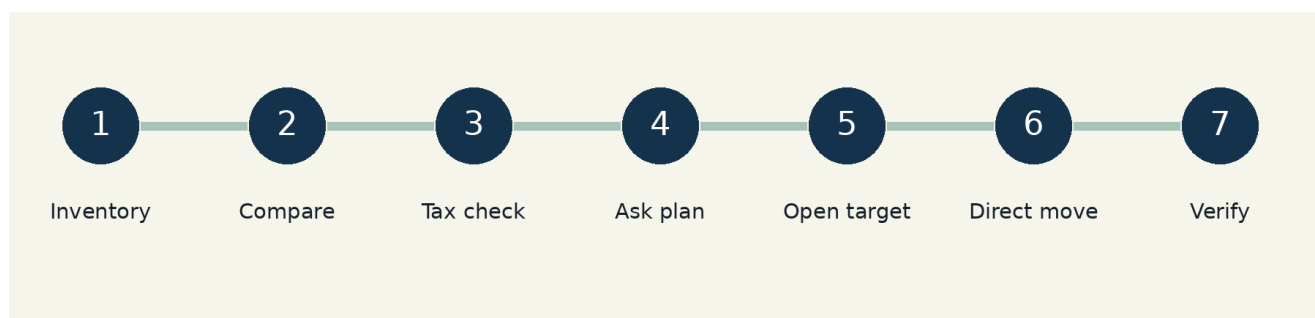
A practical decision guide for former employees and job changers

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Start with the decision, not the paperwork

A rollover is not automatically an upgrade. Your old 401(k), a new employer plan, and an IRA can differ in fees, investments, withdrawal rules, creditor protections, services, and tax treatment. The right move is the one that preserves the features you need at the lowest reasonable all-in cost.

Safest operational default. If you decide to move the account, request a direct rollover made payable to the receiving trustee or custodian for your benefit. A direct rollover generally avoids the mandatory 20% federal withholding that applies when an eligible employer-plan distribution is paid to you.



The seven-step path from inventory to verification

Your four basic choices

Choice	Often useful when	Watch closely
Leave it in the old plan	The plan is low cost, well run, and allows former employees to remain.	Limited access to new contributions; plan rules can change.
Move to a new employer plan	You want consolidation, plan-level features, or to preserve backdoor Roth IRA flexibility.	The new plan must accept the rollover and may have a narrower menu.
Move to a traditional IRA	You want broad investment choice, account consolidation, or flexible service.	Retail advisory and fund costs; loss of some plan-only withdrawal and protection features.
Cash out	A genuine need outweighs the long-term cost.	Ordinary income tax and possibly a 10% additional tax; lost tax-deferred growth.

Step 1 Build a complete account inventory

Do not authorize a transfer until you know exactly what is in the account. Different money sources may need different destinations, and special assets can change the tax answer.

Record these facts

- Total balance and vested balance
- Pre-tax employee contributions and earnings
- Designated Roth 401(k) balance
- After-tax non-Roth contributions and associated earnings
- Outstanding loan balance and the plan loan offset rules after separation
- Employer stock, including cost basis and current value
- Annuity, stable value, guaranteed-income, or brokerage-window holdings
- Beneficiary designations and any pending qualified domestic relations order

Documents to download before access disappears

- Latest quarterly statement and transaction history
- Summary Plan Description and current fee disclosure
- Investment lineup with expense ratios and any surrender or redemption terms
- Rollover or distribution packet and the IRS section 402(f) notice
- Loan documents, employer-stock cost-basis records, and Roth contribution history

Mistake to avoid. Treating the account as one undifferentiated balance. Pre-tax, Roth, and after-tax money can follow different tax paths, and the receiving institution must code them correctly.

Step 2 Compare all in costs and investment fit

Compare like with like. A low-cost index fund in an IRA can still be expensive if paired with an advisory fee. A 401(k) can be inexpensive because it offers institutional share classes, or expensive because plan administration is charged to participant accounts.

Cost or feature	Old 401(k)	New plan or IRA
Investment expense ratios	List each fund you actually hold	List the proposed replacement funds
Administration and recordkeeping	Annual dollars and percentage	Annual dollars and percentage
Advice or management	Managed account or advice fee	Advisory, wrap, subscription, or robo fee
Trading and transaction costs	Brokerage, redemption, transfer	Commissions, spreads, transfer, closing
Cash treatment	Crediting rate or stable value terms	Sweep yield and any cash allocation
Services and restrictions	Loans, installments, advice, withdrawals	Equivalent services and limits

Simple comparison formula. Estimated annual cost = account-level fees + advisory fees + the weighted average expense ratio of the investments you expect to hold. Compare services and risk as well as price.

Step 3 Screen for tax traps and plan only benefits

This is the pause point. If any item below applies, get individualized tax advice before rolling over because the choice may be difficult or impossible to reverse.

Age 55 separation exception

A qualified plan distribution may avoid the 10% additional early-distribution tax if you separated from service during or after the year you reached age 55. This exception generally does not apply to IRA withdrawals. Rolling that plan into an IRA can remove this access route. Different rules can apply to certain public-safety employees.

Employer stock and net unrealized appreciation

Employer securities may qualify for special net unrealized appreciation treatment if distributed correctly. Rolling the stock into an IRA generally eliminates the opportunity for that transaction. Ask for the stock cost basis and consult a tax professional before moving it.

Roth and after tax money

A direct rollover from a designated Roth account generally goes to a Roth IRA or another designated Roth account. After-tax non-Roth contributions can require split routing, such as basis to a Roth IRA and associated pretax earnings to a traditional IRA or plan. Confirm that both the sending and receiving institutions can execute and report the intended structure.

Required minimum distributions and ineligible amounts

Required minimum distributions cannot be rolled over. Neither can several other categories, including hardship distributions and certain periodic payments. If an RMD is due, take the required amount before transferring the remaining eligible balance.

Outstanding loans

Separation can trigger repayment or a plan loan offset. Some qualified plan loan offsets may be rolled over by the tax-return due date, including extensions, rather than the usual 60 days. The facts and deadlines are technical; ask the administrator for the exact offset date and tax reporting.

Step 4 Interview the old plan administrator

Use the questions below and write down the representative's name, date, case number, and answer. Ask for written confirmation when the answer affects taxes or transfer mechanics.

1. May I leave the money in the plan, and is there a minimum balance or future forced-out rule?
2. What are every participant-paid fee and each investment expense for the holdings I own?
3. What money sources are in the account: pretax, designated Roth, after-tax, employer match, and rollover money?
4. Does the account hold employer stock? What are the shares, current value, and tax cost basis?
5. Is there an outstanding loan? What happens at separation, and when would any offset be reported?
6. Are any assets subject to surrender charges, market value adjustments, redemption fees, trading windows, or transfer delays?
7. Can you process a direct rollover? Exactly how must the payee line, account number, and mailing instructions be written?
8. Can different sources be sent to different destinations? Will you issue separate checks or electronic transfers?
9. Which forms require notarization, a medallion signature guarantee, or spousal consent?
10. How long will liquidation and transfer take, and how will I track a mailed check?
11. What tax forms will I receive, and where can I retrieve the section 402(f) rollover notice?

Step 5 Confirm the receiving account before money moves

Open and verify the receiving account first. A plan is not required to accept rollovers, and it may reject certain source types even when it accepts pretax money.

- Confirm the exact registration: traditional IRA, Roth IRA, or eligible employer plan.
- Ask whether the account accepts each source type and whether it separately tracks after-tax basis.
- Obtain the exact payee wording, account number, delivery address, and electronic instructions.
- Choose the intended investments and decide how incoming cash will be invested.
- Check advisory agreements, sweep arrangements, transfer-out fees, and any proprietary-product restrictions.
- Name beneficiaries after the account is funded; plan and IRA beneficiary rules can differ.

Step 6 Use a direct rollover and control the handoff

Ask the old plan to send the money directly to the receiving trustee or custodian. A check can still be a direct rollover if it is payable to the receiving institution for your benefit, even when the check is mailed to you for forwarding. Do not endorse or deposit it in your bank account.

Why a direct rollover is usually safer

Illustrative \$100,000 eligible distribution

DIRECT ROLLOVER

\$100,000 transferred

\$100,000 arrives in the receiving account

CHECK PAID TO YOU

\$80,000 transferred

\$20,000 generally withheld; replace it within 60 days to roll over the full amount
Federal rules; state taxes and individual circumstances can differ.

Illustration of federal withholding mechanics

If a check is paid to you

An eligible employer-plan distribution paid to you is generally subject to 20% federal withholding. To make the full rollover tax-deferred, you normally must replace the withheld amount from other funds and complete the rollover within 60 days. Any taxable amount not rolled over may also face the 10% additional tax if you are under age 59 1/2 and no exception applies.

Handoff controls

- Photograph or scan the check and distribution statement.
- Use tracked delivery if you must forward a physical check.
- Keep confirmation numbers and secure-message transcripts.
- Avoid requesting a taxable distribution merely because a representative calls it a rollover.
- Do not mix Roth and pretax checks or deposit them into the wrong account type.

Step 7 Verify the transfer and tax reporting

A rollover is not finished when the old account reaches zero. Confirm receipt, coding, investment, and reporting.

- Match the gross distribution to the amount received, adjusted for any authorized fees or ineligible distributions.

- Confirm each source landed in the correct account and retained the intended tax character.
- Invest the incoming cash according to your plan; many rollovers arrive in cash.
- Save the final old-plan statement and first receiving-account statement together.
- Review Form 1099-R from the old plan and Form 5498 from an IRA custodian when issued. A rollover can be nontaxable but still reportable on your return.
- Retain after-tax basis, Roth history, employer-stock, and loan records indefinitely with your tax files.
- Recheck beneficiaries and consolidate duplicate accounts only after the transaction is correct.

The mistakes that cost the most

Mistake	Why it hurts	Safer move
Check payable to you	Triggers 20% federal withholding on an eligible employer-plan distribution and starts the 60-day clock.	Request a direct rollover payable to the receiving institution for your benefit.
Missing the 60-day deadline	The unrolled taxable amount can become income and may face an additional tax.	Use a direct rollover; escalate delays immediately and document any waiver facts.
Rolling before age 55 analysis	May remove access to the plan separation exception for early withdrawals.	Model expected withdrawals and compare plan versus IRA rules first.
Ignoring employer stock	May permanently give up potential NUA treatment.	Obtain basis and shares; get tax advice before moving employer securities.
Choosing by fund count	A larger menu can conceal higher advisory, cash, or product costs.	Compare the actual portfolio and all-in annual dollars.
Leaving rollover cash idle	The transfer completes but the money may remain uninvested for months.	Set investment instructions and verify execution.
Wrong destination for Roth or basis	Can create tax reporting problems or an unintended taxable conversion.	Map each source to a compatible account and confirm coding in writing.
Losing records	Later tax reporting becomes harder, especially for basis and Roth history.	Download records before the old portal closes and keep a permanent file.

Your final go or pause checklist

- ☐ I compared leaving the money, the new plan, and an IRA.
- ☐ I know the annual all-in cost and services for each realistic choice.
- ☐ I checked age 55 access, employer stock, RMDs, after-tax money, Roth money, and loans.
- ☐ The receiving account is open and confirmed to accept every source.
- ☐ I have exact payee and delivery instructions in writing.
- ☐ I requested a direct rollover, not a check payable to me.
- ☐ I saved statements, confirmations, and tax records.
- ☐ I will verify receipt, coding, investment, beneficiaries, and tax forms.

Decision notes

Question	Your answer
Best destination and why	
Estimated annual cost in dollars and percent	
Features I would gain	
Features I would give up	
Tax issues that need professional review	
Old plan contact and case number	
Receiving account and registration	
Expected transfer date and tracking	

Professional review triggers

Consider a tax professional, ERISA attorney, or fiduciary adviser before acting if the account includes employer stock, material after-tax contributions, an outstanding loan, a pending divorce order, inherited-plan issues, an RMD, annuity guarantees, or a need for withdrawals before age 59 1/2. Also seek advice if the rollover would be paired with a Roth conversion or if your state tax treatment is unclear.

Important note

This guide provides general educational information, not individualized tax, legal, or investment advice. Federal rules and plan terms can change, and state law varies. Confirm current rules and the specific terms of both the sending and receiving accounts before acting.

Primary sources

Internal Revenue Service — Rollovers of retirement plan and IRA distributions

<https://www.irs.gov/retirement-plans/plan-participant-employee/rollovers-of-retirement-plan-and-ira-distributions>

Internal Revenue Service — Topic 413 Rollovers from retirement plans

<https://www.irs.gov/taxtopics/tc413>

Internal Revenue Service — Exceptions to tax on early distributions

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-exceptions-to-tax-on-early-distributions>

Internal Revenue Service — Rollover chart

https://www.irs.gov/pub/irs-tege/rollover_chart.pdf

US Department of Labor — A Look at 401(k) Plan Fees

<https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/401k-plan-fees.pdf>

FINRA — Regulatory Notice 13-45 on rollover recommendations

<https://www.finra.org/rules-guidance/notices/13-45>

Sources accessed September 15, 2026.



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