2026 · SHOULD I ROLL OVER MY DORMANT TRADITIONAL 401(K)?

rise advisors

START HERE

After reviewing your Summary Plan Description and investment options, are you satisfied that your plan is well-managed and meeting your needs?

- Yes → Consider leaving your account where it is, but be mindful of automatic distribution rules that may apply (if your balance is under $5,000).
- No → Consider rolling the 401(k) into an active 401(k) or IRA.

Now consider if any of these scenarios might apply to your situation:

- You want the option to contribute to this account in the future.
  - You can only contribute to an active 401(k) account.
    - Consider rolling the 401(k) into an active 401(k) or IRA.
- None applies.
- You have a 401(k) loan. If rolled over, the balance of the loan should be repaid by the due date of your tax return for the year you left your employer (including extensions).
- Your account holds company stock. There may be special tax benefits utilizing Net Unrealized Appreciation options.
  - Consider rolling the company stock into a taxable brokerage account to minimize taxes.
    - You will pay ordinary income tax on the basis of the shares (and a 10% penalty, unless an exception applies).
- You are taking an RMD or will soon reach your RMD age.
  - You could simplify the process by consolidating 401(k)s and IRAs.

Now consider if any of these scenarios might apply to your situation:

- 1) You left your employer at the age of 55 or older. 2) You are age 50 or older, and you are a qualified public safety employee (including state/local correctional officers, private sector firefighters, or forensic security employees). 3) You are under the age of 50 but are a qualified public safety employee with 25+ years of service for a single employer.
  - Consider leaving the assets at the 401(k) as you may qualify for a "separation from service" distribution.
    - Distributions are taxable as ordinary income but there is no 10% penalty.
- You are over the age of 59.5 and want income.
  - Distributions from a 401(k) or IRA are taxable as ordinary income but there is no 10% penalty.
- You are younger than 59.5 and want income.
  - Consider these four options:
    - Substantially Equal Periodic Payments. You may be able to elect a series of withdrawals from your 401(k).
      - Consider making this election if allowed under your plan, or rolling the 401(k) into an IRA to make the election.
        - Distributions are taxable as ordinary income but there is no 10% penalty.
    - Hardship withdrawal. This feature is only available if rolled into an active 401(k) account and only applies to qualifying expenses.
      - Consider rolling the 401(k) into an active 401(k) account that allows for hardship withdrawals.
        - Distributions are taxable as ordinary income and may be subject to a 10% penalty (unless an exception applies).
    - Rollover to an IRA. Distributions from an IRA are taxable as ordinary income and may be subject to a 10% penalty.
    - Take a loan. Loans are not available from dormant 401(k) accounts.
      - Consider rolling the 401(k) into an active 401(k) that allows for loans.

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