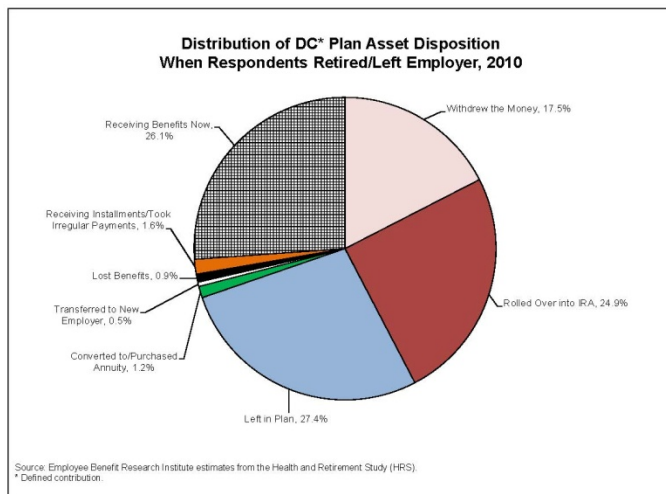


## Take it or Leave it? What Older Workers Do With Their 401(k) Balances

One of the most important decisions that workers face when they change jobs is what to do with the money in their defined contribution account, such as a 401(k).

A new analysis from the nonpartisan Employee Benefit Research Institute (EBRI) finds that it largely depends on whether they retire or stay in the work force.



EBRI's analysis of data from the Health and Retirement Study (HRS), a study of a nationally representative sample of U.S. households with individuals age 50 and over for 2008 and 2010, finds that, among other alternatives, leaving money in the prior employer plan was the most common option, cited by 27.4 percent of respondents in 2010. Among those not already receiving benefits, an IRA rollover was the next-most common option cited (24.9 percent) by 2010 survey respondents, while withdrawals accounted for 15.6 percent and 17.5 percent of all outcomes in 2008 and 2010, respectively.

However, EBRI's analysis also found that worker decisions about these balances appeared to be influenced by a number of factors, including whether or not they remained in the workforce after leaving the employer, by whether or not they already owned an individual retirement account (IRA), by the size of their account balance, wage income, and by level of debt, among other criteria.

The report found no significant differences by gender.

The EBRI report notes that a poor decision—for example, withdrawing the money prior to age 59½, which results in a 10 percent penalty in addition to income tax on that distribution—could reduce the worker's retirement assets significantly. Consequently, it is of great importance that people make these decisions wisely.

The EBRI report, "Take it or Leave it? The Disposition of DC Accounts: Who Rolls Over into an IRA? Who Leaves Money in the Plan and Who Withdraws Cash?" is published in the May 2014 *EBRI Notes*, and is available [online here](#).

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