



Unlock Your Frozen 401K

An Expats Guide

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Whilst 401(K)'s are notoriously complex and challenging to understand, they are a vital part of any successful retirement plan.

Put simply; a 401(k) is a qualified retirement plan, sponsored by an employer that allows you to put aside a percentage of your monthly income on a tax deferred basis.

At present, the maximum amount you can contribute a year to a 401(k) is \$19,000 if you are below 50. For those over 50, you can contribute an extra \$6,000 per year in "catch-up" contributions.



Throughout their career, the average US worker will change employer 12 times. As many are unsure what to do with their 401(k) when this happens, they are left with the unenviable task of tracing a number of small investments and losing a chunk of their pension pot due to paying separate fees on each of these smaller plans.

What Are My Options?

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1. Leave It Where It Is

Due to a lack of understanding their options, the default choice for many is to leave their 401(k) where it is. Each 401(k) plan is run by the company who sponsor it, as such they decide things such as which investment options are available, and your money will grow or shrink based on the decisions made by them.

2. Roll It Over To Your New Employer

If your new employer offers a 401(k) and you are eligible to participate, it's simple to roll over your old 401(k).

3. Draw An Income

If you are over 59½, you can start taking qualified distributions from any 401(k). If you have a traditional 401(k), any income you take will be included in your annual allowance so you must pay income tax at your ordinary rate on any distributions you take.



4. Roll It Over To An IRA

The Main Advantages of Rolling Over a 401k to an IRA:

Wider Selection Of Investment Choice

Your 401k is likely limited to a small sample of the investment options that are available. However, with an IRA, most types of investment are available to you, including not just mutual funds, but also individual stocks and exchange-traded funds (ETFs). Having more options can help you develop a better long-term strategy for your retirement savings.

Lower Costs

Depending on your 401k plan, there may be lower-cost fund options in an IRA.

Flexibility For Withdrawals

Rolling your money into an IRA will enable you to manage your withdrawals and the taxes you'll pay on them. In addition, IRA's could offer more flexibility in determining which assets to liquidate vs a 401k which typically takes an equal amount out of each of your investments.

More Control

If you find that a fund in your 401k is not performing well, you may not be able to find another investment option to switch to as easily as you can with an IRA.

Wealth Transfer Advantages

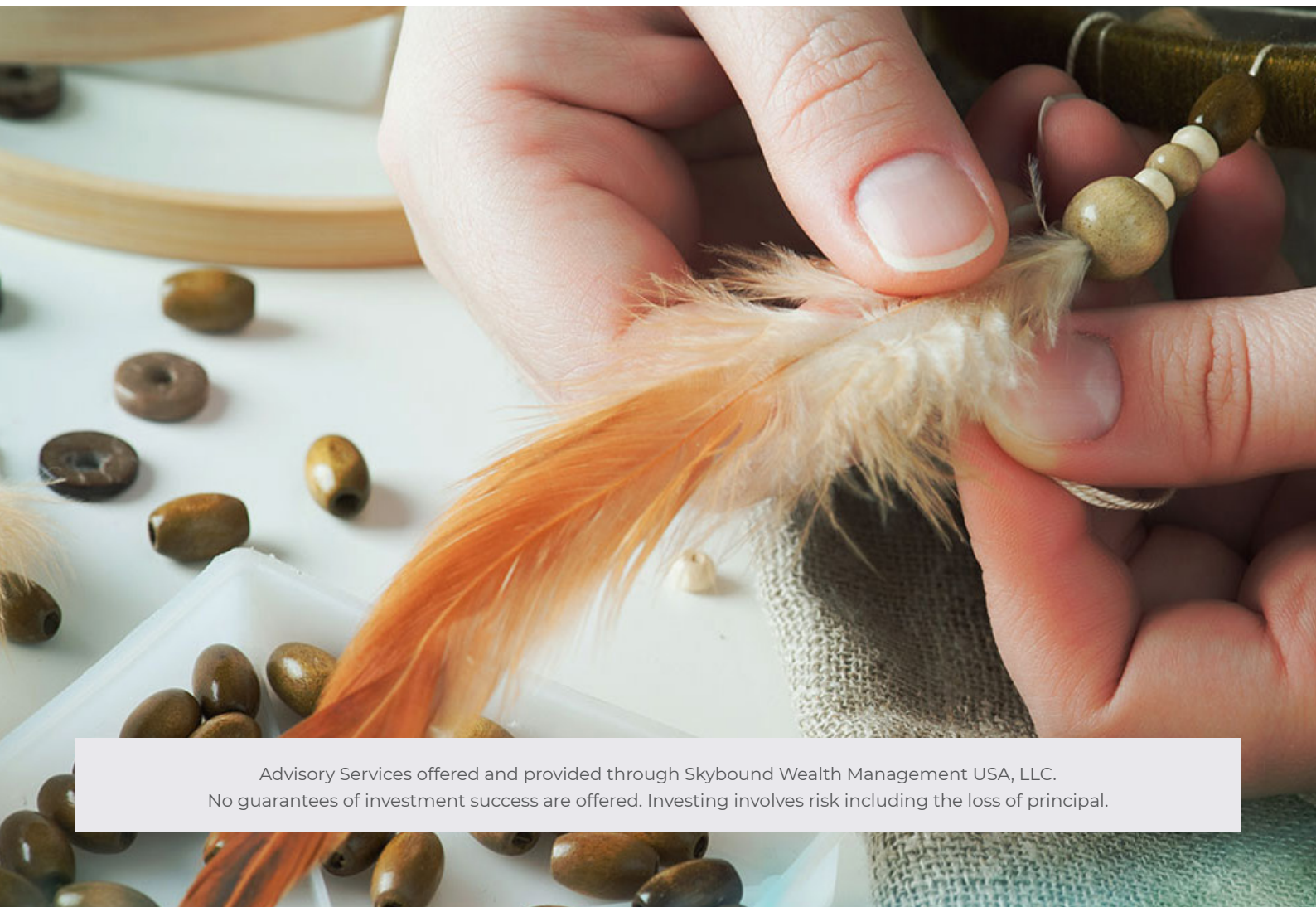
Upon your death, there's a good chance that your 401k will be paid in one lump sum to your beneficiary. An IRA generally allows you to name multiple beneficiaries—or even a trust as a beneficiary.

Fewer Restrictions

Understanding your 401k is not easy – each company has a lot of flexibility in how they set up the plan. IRAs are standardized by the IRS. At the end of the day there are pros and cons to both the 401k and IRA models. 401ks have advantages not available in an IRA model. Our process will help you determine if the IRA platform is the right option for you. We will be glad to talk to you about your options.

Tracking Down Old 401(K) Accounts



Your first port of call should be to contact your old employer directly and they will be able to provide you with all the necessary forms. However, if you don't hold contact information for them, or they have been subject to a corporate merger this might not be an option. If this is the case, you will need to search for an old statement for contact details of the plan administrator. Alternatively, you can use the National Registry of Unclaimed Retirement Benefits to conduct a free search for any retirement plan balances held in your name. Although your old employer is not required to sign up to this service so this can't be relied on to give a definitive answer to your search.



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Can I Lose My 401(K)?

The value of your 401(k) like any other investment vehicle can go up and down. If you invest in the stock market, you could lose money if the stocks selected decline in value. When the Global Credit Crisis took hold in 2008, many 401(k) plans that were heavily linked to the stock market suffered huge losses. As with any investment plan, the key to minimising the effect of market swings is to ensure your money is spread across a number of asset classes rather than placing all your eggs in one basket.



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FATCA

The introduction of the Foreign Account Tax Compliance Act (FATCA) from 1 July 2014 caused panic amongst US expats. Under FATCA, non-US banks and financial institutions with American clients must separately report those account details directly to the IRS.

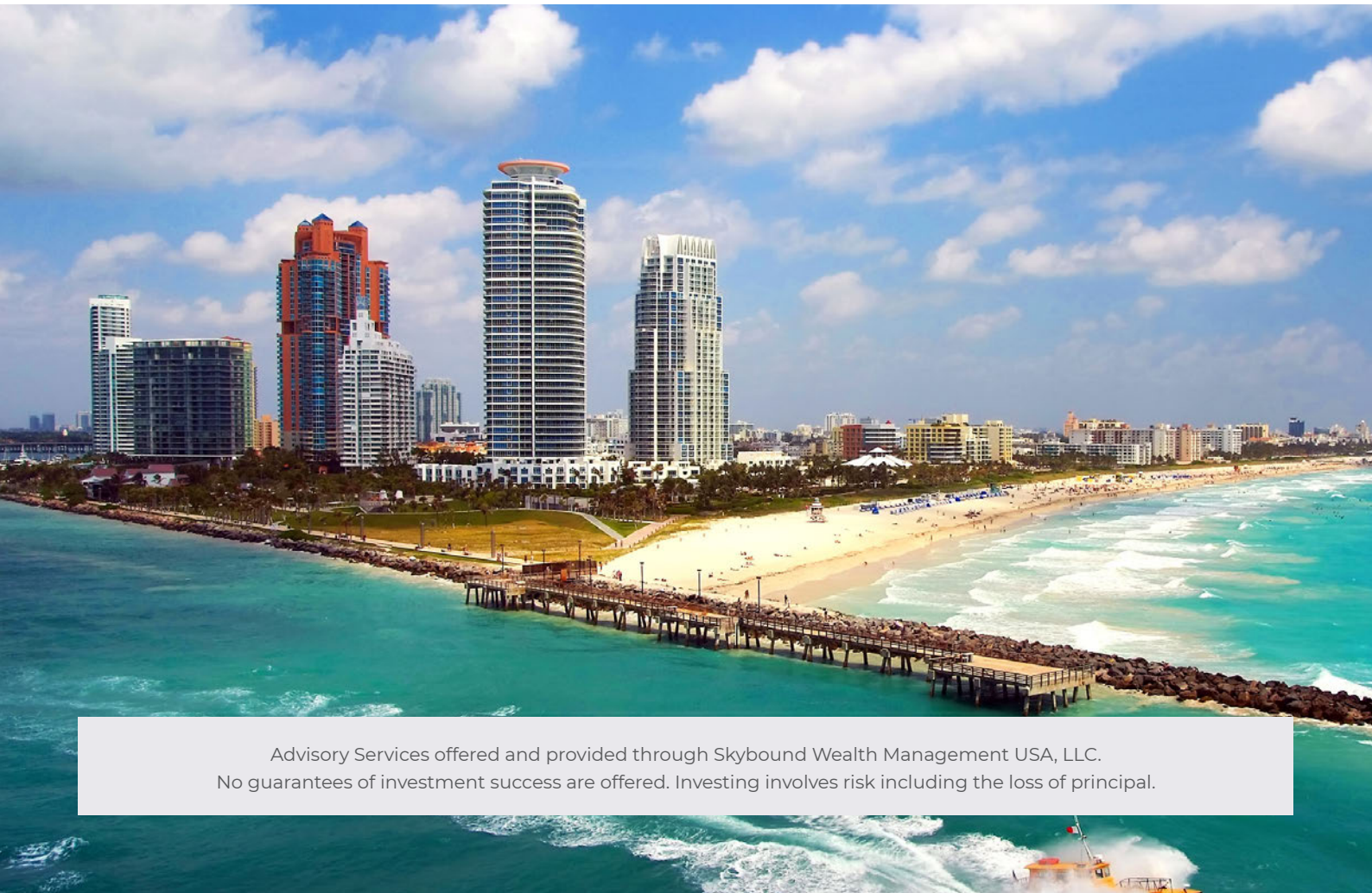
Under FATCA, U.S. taxpayers who hold foreign financial assets with a combined value of more than \$50,000, must report information about these assets on their annual income tax return.



Global Financial Planning Experts

All Skybound companies are regulated in the jurisdictions in which they are established and enforce their own internal regulation and compliance functions to exceed and surpass client and regulator expectations.

Our offices in Switzerland and the US are regulated by Association Romande des Intermediaires Financiers (ARIF) and the Securities and Exchange Commission (SEC) respectively, providing peace of mind that many other international financial advisers simply cannot.



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We exist to educate and guide you through the important decisions required today, to help you understand the opportunities of tomorrow.

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