



Pioneer Bank & Trust

Trust & Investments

Local.

*704 7th Ave, PO Box 729
Belle Fourche, SD 57717-0729
Phone (605) 892-3494
Fax (605) 892-2115*

*2001 W Omaha St, PO Box 9189
Rapid City, SD 57709-9189
Phone (605) 341-2265
Fax (605) 341-7425*

*140 E Jackson Blvd, PO Box 10
Spearfish, SD 57783-0010
Phone (605) 642-2725
Fax (605) 642-1736*

February 2016

Ask a trust officer: I need protection for my 401(k) distribution

DEAR TRUST OFFICER: When I retire in about a year, I'm expecting a six-figure distribution from my employer's 401(k) plan. The success of my retirement turns on what I do with this money, and I'm more than a little unsettled by the prospect. What should I do to keep my all my options open?

—LOOKING AHEAD TO FINANCIAL INDEPENDENCE

DEAR LOOKING: I have two words for you: IRA Rollover. With this arrangement you can continue the tax deferral that your 401(k) account has enjoyed so far. Be sure that you use a "trustee-to-trustee" transfer of the funds to avoid the 20% tax withholding that otherwise would apply to your distribution.

Will your distribution include shares of stock in your employer? If so, you should consider *not* rolling those shares over, but accepting them for your taxable portfolio. Income taxes on "net unrealized appreciation" in those securities may be deferred in this manner—your accountant can give you more details.

You'll also need an investment plan for your retirement money. When you undertake this plan, consider your taxable and tax-deferred funds as part of one large portfolio. The plan that you or your investment advisors come up with needs to take all of your resources into account, as well as your retirement income needs. You are wise to be looking into these questions a year before you retire. We can help you with all of these questions, if you wish.

(February 2016)

© 2016 M.A. Co. All rights reserved.