RETIREMENT BASICS

Consolidating Your Retirement Accounts

The average American worker changes jobs multiple times in their career,[1] and while a new job often means better pay and benefits, it can also result in a forgotten retirement account. In some cases, depending on your situation, it might make sense to leave retirement savings in a prior employer's plan, but consolidating retirement accounts in a new employer's plan or individual retirement account (IRA) may lead to better outcomes.

82%

of defined contribution plan participants consider it important to consolidate retirement assets in as few accounts as possible[3]

Potential **risks** of leaving a retirement account with a prior employer

HIGHER FEES

Consider the investment and administrative fees assessed by your old employer, new employer and IRAs. If your old employer has higher fees, they could eat into account balances.

POTENTIAL LOWER INVESTMENT RETURNS[2]

Plans are allowed to automatically roll over accounts of less than $7,000 into an IRA,[2] which may not offer the same investment options as your new employer's 401(k) or may offer investments that may provide a lower return.

LOSING TRACK

Multiple accounts can make it hard to understand your total retirement savings and determine if your asset allocation is right for your goals. You can also lose track of them.

CYBERSECURITY RISK

Having multiple accounts can increase the chances of fraud or theft. Reducing the number of accounts may reduce your exposure.

Potential **benefits** of leaving a retirement account with a prior employer

LOWER FEES

Your old employer may have lower fees than your new employer's plan or an IRA.

ACCESS TO INVESTMENTS

While most plans offer a range of funds, you may want to maintain your access to a fund offered by your prior employer.

[1] Source: Bureau of Labor Statistics, US Department of Labor, "Employee Tenure in 2022," September 22, 2022. Median tenure with current employer was 4.1 years in January 2022

[2] Source: SECURE 2.0 Act of 2022, Section 304.

[3] Source: 2022 MFS Global Retirement Survey, US respondents. Q1: How important is it for you to be able to consolidate all retirement assets into one or as few accounts as possible? Percentage represents the sum of respondents that chose somewhat important, very important or extremely important.

Methodology: Dynata, an independent third-party research provider, conducted a study among 1,001 Defined Contribution (DC) plan participants in the US on behalf of MFS®. MFS was not identified as the sponsor of the study.

To qualify, DC plan participants had to be ages 18+, employed at least part-time, actively contributing to a 401(k), 403(b), 457 or 401(a). Data weighted to mirror the age or gender distribution of the workforce. The survey was fielded between March 15 and April 13, 2022.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

See the reverse side for more on consolidating retirement accounts.

ASSUMPTIONS

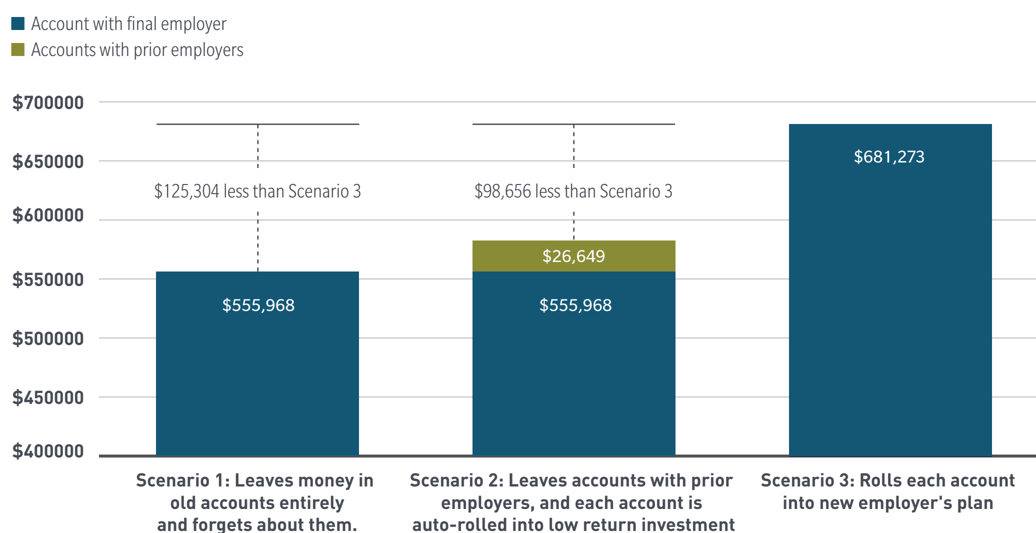
- Age at first job: 23
- Age of retirement: 65
- Salary at first job: $40,000
- Salary increase per year: 2%
- Total employee + employer contribution between ages 23 and 35: 3.0%
- Total employee + employer contribution after age 35: 9.0%
- Changes jobs every 3 years between age 23 and 35 (5 employers in total)
- Return on 401(k) investment: 6.0%
- Return on low-return rollover investment: 1.0%

These hypothetical examples are for illustrative purposes only and are not intended to predict the returns of any investment choices. Rates of return will vary over time, particularly for long-term investments. There is no guarantee the selected rate of return can be achieved. Any investments may have fees and expenses that are not taken into account, which would lower the performance. Regular investing does not ensure a profit or protect against loss in declining markets.

Let's look at how these potential risks and benefits could play out in a hypothetical example. Amala starts her career at age 23 and changes jobs every three years. Along the way she participates in each employer's 401(k) plan, accumulating a balance in each of them. At age 35, Amala finds her dream job and is able to save more and benefit from her employer's company match. She ends up working there for the rest of her career.

Understanding the impact of consolidating

Three hypothetical scenarios based on account with employer at age 65



By consolidating her four 401(k) accounts with prior employers, Amala was able to generate a larger balance and keep on track for retirement.

Key takeaway

Making an informed decision on whether to leave retirement accounts with prior employers or consolidate them can be key to achieving your retirement goals. Your investment professional can help.

There are advantages and disadvantages to rolling money out of your employer's plan and into an IRA. You will need to compare such features as investment options, services, fees and expenses, withdrawal options, required minimum distributions, tax treatment and your unique financial needs and retirement goals. Please be aware that rolling over retirement assets into one IRA account could potentially increase fees as the underlying funds may be subject to sales loads, higher management fees, 12b-1 fees, and IRA account fees such as custodial fees. For assistance in determining if a rollover to an IRA is appropriate for you, consult your financial advisor or investment professional.

Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon. **Diversification** is a risk management strategy that mixes a wide variety of investments in a portfolio. **Rebalancing** is the process of realigning the weightings of a portfolio of assets. Keep in mind no investment strategy, including ADR, can guarantee a profit or profit against a loss.

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