

Miami Star Shaq Traded to the Suns

By [Laura Moran](#) (02/08/08)

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This evening when the Phoenix Suns play the Seattle Supersonics, the player known as Superman, Shaquille O'Neal, will be on the Suns bench for the first time. The All-Star's trade from the Miami Heat, first reported late Wednesday night, brings the 4-time world champion to a playoff contender and sends forward Shawn Marion and guard Marcus Banks to Miami.

Shaq has two seasons and \$40 million remaining on his contract, so he might not be too worried about retirement. But if you are switching companies or careers should cause you should think about your 401(k) plans. There are a number of options that an employee who is changing jobs for the money in their current 401(k). Employees may cash out however they will be subject to a number of taxes and penalties. Other options include rolling over the 401(k) into a traditional IRA, keeping the money in the 401(k) of the old employer or rolling over the 401(k) to a new employer.

"Some people cash out because they don't know what to do and it is a sure thing," said Stuart Ritter, a certified financial planner from T. Rowe Price. "But, it is important to know that any of the other options are better for retirement health than cashing out of a 401(k)," According to Burt Hutchinson, a partner at the firm Fischer and Hutchinson Wealth Advisors, anyone cashing out of a 401(k) will pay taxes on the money and if that person is under the age of 59 and a half they will also pay a 10 percent penalty fee both of which will result in less money. Also, people cashing out of their 401(k) are often doing so to spend the money which will leave them with nothing saved for retirement.

The other options carry individual advantages. Moving the money from a 401(k) into a traditional IRA means that the money is no longer subject to 401(k) restrictions and generally offers more control over the assets. It often means there are more investment choices, including mutual funds, stocks, corporate and Treasury bonds, and certificates of deposit. And, in some cases, IRA savings can be used for education and first-time home purchases without penalties. Moving the money from a 401(k) to that of a new employer consolidates retirement savings and makes it easy to keep track of. Most company retirement plans will accept a rollover from a previous employer's plan and because it is considered a direct rollover, the transfer between employers avoids any potential taxes or penalties while still growing tax-deferred. Leaving 401(k) savings in a former employer's plan allows the money to continue growing tax-deferred. Then, the decision to roll over your money to an IRA or to another employer's plan can then be made at any time

The situation of each individual is the real deciding factor on which path to choose. Morris Armstrong, the owner of Armstrong Financial Strategies said that people have to decide what is more important to them, the safety of creditor protection offered with a 401(k) or the financial freedom of choice offered with an IRA. At any rate saving is the way to go. "The earlier you start saving, the earlier the compounding starts working," said Hutchinson. "It gives you more time for your money to make more money for you."