

It's Your Money, Take It With You Dammit!

We live in a very different world today. It used to be you'd have a job for life. Now, it's not unusual for someone to have eight or ten jobs during their career.

That fact alone isn't a problem at all. But it has led to a serious issue – a cost most of us aren't even aware exists. But it's robbing us of money needlessly.

The problem is, when we change jobs, we usually leave our retirement plan behind. It's called an orphaned account – and it costs you money. More than you might know.

I've seen it happen in my own family. I have three nieces – all in their 20s – and when I spoke with them about this, I found out they each have at least one orphaned 401(k) they left behind at an old job.

It doesn't have to be that way. You have the right to roll over your savings into IRAs. But most of us never do.

Most of us aren't even aware it's an option.

The result is folks who have three, four, or more accounts scattered about, doing nothing.

Actually, it's a bit worse than that. When you orphan an account, it doesn't just lay fallow. It's usually still subject to unnecessarily high fees – fees you're paying for little or no advisor oversight.

This problem is bigger than you think. 27% of “mass affluent” investors admit they've left orphan accounts behind. That's a lot of money sitting around needlessly bleeding fees.

Luckily, there's an easy solution. With a quick email or phone call to your old job, you can reclaim your money and roll it over into an IRA. Of the 41.5 million households that have an IRA, about half are rolled over from old 401(k)s, according to the Investment Company Institute.

I'd like to see that number grow. A good IRA should have low fees, and a financial advisor working with you, to help you achieve your goals.

Orphaned accounts have none of that.

The trend is catching on. IRAs went from 5% of total household assets two decades ago, to 11% today. That's a good start.

But it's just the beginning. As long as there are orphaned accounts slowly draining away American savings, I'll continue to beat my chest on this point.

It's your money. You wouldn't leave it alone in a bus station. Don't leave it alone in a 401(k) either. In some ways, that's worse.

At least at a bus station, someone might return your wallet. With an orphaned 401(k), you already know – a percentage of your money will be stolen from you, every year.

Don't leave your money behind. Take it with you. Give it the chance to grow inside a low-fee IRA. I guarantee – it beats the alternative.