

Weekly Insight
April 20, 2026

401(k) Rollover Traps That Can Easily Shrink Your Money

This Week's Focus

If you have a 401(k) and retirement is getting close, you may be thinking about rolling it over. That is a normal next step. But many people get hit with a surprise because the rules are strict. If the money is paid to you first, taxes may be withheld, and the 60-day clock can start. The IRS explains that a direct rollover can avoid withholding, while a distribution paid to you can trigger withholding and a 60-day deadline.

This issue of SFL Weekly Insights gives you a simple "safety check" so you can avoid the common rollover traps and avoid risk mismanagement after the move, before you sign any paperwork.

Content Overview



Why checks in your name can trigger 20% withholding



Why the 60-day rollover clock creates tax trouble



How risk mismanagement can hurt after a rollover



Your one-page checklist to start a rollover review



The 401(k) Move That Can Cost You Thousands



When people say, “I am going to roll over my 401(k),” they usually mean one thing: **They want their retirement money to stay retirement money.** That goal is smart, but the problem is that a rollover has a few traps that can turn into surprise taxes, lost time, or bad investment choices when you need stability the most.

Trap 1: The check shows up with YOUR name on it

This is where many people get burned. If the money is paid to you, the IRS says the plan must take out 20% for federal taxes, even if you plan to move the money into another retirement account. That means you may receive a smaller check than you expected. Then you are forced to make a tough choice: replace the missing amount with other money, or roll over less and risk part of it becoming taxable. A safer option is often a direct rollover, where the money moves from the old plan straight to the new account, so the money does not land in your hands first.

Trap 2: The “60-day clock” starts ticking

If the money comes to you first, the rollover usually becomes a 60-day rollover. That means you have 60 days to get the money into another retirement account. If you miss the deadline, the IRS may treat the money like a withdrawal. That can create a big tax bill. And if you are under 59½, there can also be a penalty.

Trap 3: Risk mismanagement (the mistake that hurts quietly)

Even if you avoid tax mistakes, you can still lose ground if you “park” the money in the wrong place. Two common problems show up right after a rollover: **Problem A:** You take too much risk. When markets feel shaky, people panic. They sell at the wrong time. Taking on too much risk can lead to major losses and bad decisions during market drops. **Problem B:** You take too little risk. Some people move everything into “safe” choices, then leave it there for years. Over time, inflation can chip away at buying power. Being too conservative can lead to weak growth and not enough money to depend on later. This is also a known rollover mistake where people roll money over, then leave it sitting in cash, which can cost them years of growth.

The simple truth

A rollover is not only paperwork. It is also a risk decision and a future income decision. That is why this week’s Page 4 worksheet matters. It helps you slow down and think clearly: how much risk are you taking - what return are you assuming - and what happens to your money over time?

Your first step

Before you sign anything, write these down prior to your SFL review:

1. My current 401(k) company: _____
2. Will the check be payable to me? **Yes / No**
3. My retirement timeline: **Now / 1-3 years / 4-5 years**
4. My biggest fear: **Taxes / Market drop / Running out of money / Confusion**

If any of these traps feel familiar, your next best move is a short, straightforward, clear rollover review before you touch any of your hard-earned money.

Do Not Start a Rollover Until You Fill *This* Out

This page helps you avoid the two biggest rollover mistakes: surprise withholding and bad timing. If you score high, the next step is a quick rollover review with Randy before you touch the money.

Step 1: The “Do Not Guess” Questions (Yes or No)

1. YES / NO I know if my 401(k) is pre-tax, Roth, or both.
2. YES / NO I know who the check would be payable to.
3. YES / NO I would panic if 20% was withheld.
4. YES / NO I am not sure about the 60-day rule.
5. YES / NO I am under age 59½.
6. YES / NO I have more than one old 401(k).
7. YES / NO I have not picked a clear retirement date.
8. YES / NO I do not know what monthly income I need.

Score

- 0–2 YES: Low risk. You still need a clear plan.
- 3–5 YES: Medium risk. A mistake could cost real money.
- 6+ YES: High risk. Do not start paperwork yet.

Step 2: Rollover “Red Flags” (check what applies)

- My plan might send the money to me first.
- I might miss a deadline while the money is moving.
- I might move my money, then invest it the wrong way.
- I might need cash soon and regret locking it up.

If you checked 2 or more, schedule a review.

Step 3: Your Risk Fit Snapshot

Circle one: Low risk | Medium risk | High risk

Answer Yes or No:

YES / NO My current investments match my comfort level.

YES / NO I could handle a market drop without changing the plan.

YES / NO I know how much risk I should take at my age.

If you are not sure, that is normal. Fill out Page 4 and bring it to your review.

Step 4: Bring this to your review (so it is fast)

My current 401(k) provider: _____

My approximate balance: \$ _____

I am retiring: **Now** | 1–3 years | 4–5 years | Not sure

My biggest fear: **Taxes** | Market loss | Running out | Confusion



Take action ➤ Reserve your no-cost 401(k) rollover review
Call 785-452-8039 or visit www.SolutionsForLifeKS.com/book-appointment

Mistake 5: Risk Mismanagement

• Reflection Questions:

- Is my portfolio balanced in a way that aligns with my risk tolerance?
- Am I taking on too much or too little risk?

Exercise: Perform a risk assessment to determine your risk tolerance and adjust your portfolio accordingly.

Chart: Risk and Return Comparison Table

Year	Risk Level (Low/Medium/High)	Initial Investment (\$)	Annual Return (%)	Losses or Gains (\$)	Portfolio Value (\$)
1					
5					
10					
15					

Enter the risk level, initial investment, and annual return to see the impact on portfolio value.

Action Plan: Rebalance your portfolio to ensure it matches your risk tolerance and time horizon.



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