What Happens to My 401(k) After I Left My Job to Start a Business?

Ready to leap into full-time entrepreneurship? Don't forget to roll over your 401(k). In this article, we'll discuss the options for your 401(k) from your full-time job so that you can retain your savings and continue to save for retirement.

Congratulations on taking the leap into entrepreneurship! As you transition from employee to business owner, one critical financial decision you'll need to make is what to do with your old 401(k) from your previous employer. Many new entrepreneurs overlook this important step, but properly handling your 401(k) rollover can help you maintain your retirement savings momentum and potentially unlock new investment opportunities.

Your Four Options

When you leave your job to start a business, you typically have four options for your old 401(k):

1

Leave It With Your Former Employer

You can often leave your 401(k) with your former employer's plan if your balance is above a certain threshold (typically $7,000 as of 2024/2025 updates). While this is the easiest option in the short term, it may not be the best choice for active management.

- **Pros:** No immediate action required, familiar investment options.
- **Cons:** Limited control, may have higher fees, can't make new contributions.

2

Cash It Out

While you can withdraw the funds, this is generally the worst option. You'll face income taxes on the entire amount plus a 10% early withdrawal penalty if you're under 59½.

- **Pros:** Immediate access to cash.
- **Cons:** Significant tax penalties, loss of retirement savings and compound growth.

3

Roll It Over to an IRA

Rolling your 401(k) into a traditional IRA gives you more investment options and potentially lower fees. This is a popular choice for many entrepreneurs.

- **Pros:** More investment choices, potentially lower fees, easier to manage.
- **Cons:** No loan provisions, contribution limits differ from 401(k) plans.

4

Roll It Over to a Solo 401(k)

As a self-employed business owner, you can roll your old 401(k) into a new Solo 401(k) plan. This option provides the best of both worlds: maintaining your 401(k) structure while gaining control over your investments.

- **Pros:** Higher contribution limits, loan provisions, Roth conversion options, self-directed investment opportunities.
- **Cons:** Requires setting up and maintaining a Solo 401(k) plan.

RECOMMENDED FOR ENTREPRENEURS

Why a Solo 401(k) Rollover Makes Sense for Entrepreneurs

For most entrepreneurs, rolling over to a Solo 401(k) is the optimal choice. Here's why it stands apart from every other option:

Consolidation

Keep all your retirement savings in one place for easier management and a clearer picture of your financial future.

Higher Contributions

For **2026**, you can contribute up to **$72,000** annually if you are under age 50 far exceeding standard IRA limits.

Catch-Up & Super Catch-Up

Ages 50–59 or 64+ can contribute an extra **$8,000**. Ages **60–63** unlock a new "Super Catch-Up" of an extra **$11,250**.

Loan Access

Borrow up to **$50,000** or 50% of your account balance for business or personal needs, a unique advantage over IRAs.

Investment Flexibility

With a self-directed Solo 401(k), you can invest in alternative assets like real estate, private equity, and more.

Roth Conversions

Convert traditional 401(k) funds to Roth for tax-free growth it's a powerful long-term wealth-building strategy.

$72K

2026 Contribution Limit

Maximum annual contribution for those under age 50

$11,250

Super Catch-Up

Extra contribution for entrepreneurs aged 60–63

$50K

Loan Provision

Maximum loan amount available from your Solo 401(k)

How to Roll Over Your 401(k)

The rollover process is straightforward. Follow these four steps to move your old 401(k) into a new Solo 401(k) and take control of your retirement savings.



Set Up Your Solo 401(k)

Establish your new Solo 401(k) plan with a trusted provider like SEPira(k). This is the foundation of your rollover and gives you a destination account for your funds.



Request a Direct Rollover

Contact your former employer's plan administrator and request a direct trustee-to-trustee transfer. This ensures your funds move directly without triggering withholding taxes.



Complete the Paperwork

Fill out the required forms from both your old plan and your new Solo 401(k) provider. Your new provider can often guide you through this step.



Wait for the Transfer

The process typically takes **2–4 weeks**. Once complete, your funds will be available in your new Solo 401(k) and ready to invest.

⚠ **Important:** Always request a **direct rollover** to avoid the 20% mandatory withholding that occurs with indirect rollovers. A direct trustee-to-trustee transfer keeps your money working for you without interruption.

Common Mistakes to Avoid

Even with the best intentions, entrepreneurs can stumble during the rollover process. Here are the most common pitfalls and how to sidestep them.

Missing the 60-Day Window

If you receive a check instead of a direct transfer, you must deposit it into your new account within **60 days** to avoid taxes and penalties. Don't let the deadline slip by.

Forgetting About Old Accounts

Don't leave multiple 401(k)s scattered across former employers. Consolidating into a Solo 401(k) gives you a clear, unified view of your retirement savings.

New Mandatory Roth Rule

Starting in **2026**, if your prior-year wages exceeded **$150,000**, the IRS requires any catch-up contributions to be made to a **Roth** account (after-tax). Plan accordingly.

Ignoring Fees

Compare fees between your options to maximize your retirement savings. Even small differences in annual fees can compound into significant losses over time.

Get Started with Your Rollover

Don't Let Your 401(k) Sit Forgotten

While you build your business, your retirement savings deserve the same attention. A Solo 401(k) rollover can help you take control and unlock new opportunities for growth.

The Guardian Platform

The Guardian platform makes it easy to set up a Solo 401(k) and complete your rollover in minutes. Our team handles the compliance and recordkeeping, so you can focus on growing your business.