

401(k) Check-up



Participating in the company's retirement is the first step toward a secure financial future. The next step is to conduct a regular "check-up" of your retirement plan to make sure you stay the course. Below are a few questions to ask yourself—at least annually—to see if (and how) they affect your retirement planning.

1. Review The Past Year

Take a look back and pinpoint what has changed in the past year that might affect your 401(k). For example, did you get a raise or inheritance? If yes, you may want to increase your contributions. Did you get married or divorced? If yes, you may need to change your beneficiary form. Also, are you contributing the maximum amount allowed by the IRS? In 2005 you can contribute up to \$14,000 (\$18,000 for employees age 50 or older). If you changed jobs in the past year and still have retirement money with a previous employer, you may be able to consolidate your assets with your current plan. (Ask your plan administrator for more details.)

2. Set A Goal

What will your retirement look like? Aside from making regular contributions to the 401(k) plan, take the time to sit down and map out what your specific goal is for retirement (e.g., Do you want to travel? Will retirement be an opportunity to turn a hobby into a part-time business? Will you enjoy simple or extravagant entertainment?) Studies show that participants who set a retirement goal today feel more confident about having a secure retirement down the road.

3. Gauge Your Risk Tolerance

Understanding how comfortable you are with investment risk can help you determine what kind of allocation strategy makes the most sense for you. For example, are you a conservative investor with only a few years to retirement? Or are you just beginning your career and feel comfortable with riskier, more aggressive investment strategies? Your provider's enrollment kit typically includes a risk tolerance quiz to help you make this important determination. Remember, over time, and as your life changes, so will your risk tolerance.

4. Ask For Help

If you have questions about your 401(k) plan or are unsure of how to go about saving for retirement, ask for help. Depending on your specific situation, you may even consider meeting with a financial planner to help you make important retirement savings decisions.