

National 401(k) Day:

Maximizing Your Retirement Nest Egg

National 401(k) Day is an annual reminder of the importance of planning for retirement and taking advantage of the valuable benefits provided by employer-sponsored 401(k) plans. The **first Friday after Labor Day (September 8th, 2023)** marks an ideal occasion to evaluate your retirement strategies, contemplate financial goals, and take steps to make the most of your 401(k) savings opportunities.

Consider this checklist to assess how well you're doing:

1. Embrace the Employer Match

One of the most significant advantages of contributing to a 401(k) plan is the employer match. Many companies offer to match a percentage of an employee's contributions, effectively providing "free money" towards retirement. Revisit your plan to ensure you're contributing enough to qualify for your company's full match, so you're not leaving money on the table.

2. Make Catch-Up Contributions If You Can

For those inching closer to retirement age, the IRS allows catch-up contributions for individuals aged 50+. In 2023, older planholders may contribute an extra \$7,500 a year on top of the \$22,500 limit. If you can, ramp up your contributions to take advantage of the compounding interest.

3. Optimize Investment Allocation

A 401(k) plan is a long-term investment vehicle, and as such, it's important to have a diversified and balanced portfolio that aligns with your risk tolerance and retirement goals. Take a moment to assess your allocations. Are you adequately diversified across asset classes? Have your risk preferences changed over time?

4. Take Advantage of Roth Options

Many 401(k) plans now offer a Roth option, allowing you to contribute after-tax dollars initially in exchange for tax-free withdrawals in retirement. Roth accounts can be especially advantageous for individuals expecting tax rates to be higher by the time they retire.

5. Monitor Plan Fees and Expenses

Administrative fees and expenses associated with 401(k) plans vary widely, so it's worth reviewing your plan's fee disclosure documents annually. High fees erode returns over time, so consider low-cost investment options like exchange-traded funds (ETFs) or index funds, which tend to have lower fees than actively managed funds. Target-date funds are another option to provide a diversified mix of investments based on your expected retirement year.

6. Review Beneficiary Designations

Life circumstances change. If you've gotten married, had children, gotten divorced, or experienced the death of a spouse/loved one within the last year, it's especially important to review and update your beneficiary status to reflect your most current wishes.

7. Find Old Funds

An estimated 1 in 5 Americans have forgotten or left behind 401(k) accounts with previous employers, putting them at risk of abandoning these funds, missing rebalance opportunities, paying unnecessary administrative fees, or owing required minimum distribution penalties.

You can search for old 401(k) accounts in the following databases:

[National Registry of Unclaimed Retirement Benefits](#) (by social security number)

[Unclaimed Property Administrators database](#) (by name/address)

[Department of Labor's Abandoned Plan Database](#) (by plan/employer name)

If you locate a plan and you're over 59.5 years old, you can cash the funds out. If you're under 59.5 years old, you're better off opening an IRA and requesting a transfer of funds to avoid paying the 10% early withdrawal penalty.

8. Leave Your Money In

While 401(k) balances are up nearly 10%, there has also been a 36% year-over-year increase in Americans making emergency hardship withdrawals to cope with rising inflation. Before you withdraw these tax-advantaged savings and pay stiff penalties, explore other sources of funds you can tap into with a financial advisor.

9. Discuss Your Investment Options With a Financial Advisor

401 (k) day is a valuable reminder to check in with a financial expert. Your Wealthcare advisor understands your current situation and long-term goals and can help to make sure you're on track for retirement. Contact us for ideas on how you can make the most of your retirement savings opportunities to live the life you've imagined to the fullest.

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