Tips on Managing your 401K

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Introduction

Do you really understand your 401k and how to get the most out of it before you retire? For the majority of us, our retirement hopes hang on our 401(k). So, it's important to understand how to maximize it so that you can have the best hope of a successful retirement.

Tip #1. Contribute the maximum amount possible

If you are able to, contribute the maximum amount of $23,000 a year ($30,500 if you're over 50), then do it. The more you contribute the more comfortable your retirement will be. But if you can't do that, at least make sure your contribution is equal to your employer's match. This is where an employer contributes the same amount to your 401(k) that you do, at least up to a certain point. This is essentially free money on the table, so make sure you're contributing enough to qualify.
The ProVest Wealth Toolkit can evaluate how much money you need to save now, to be able to have the retirement that you desire to have with our Retirement Planning Tool.

Tip #2. Review your 401 to be sure it stays balanced

Review your 401(k) regularly to determine if it needs to be rebalanced. Rebalancing means "periodically buying or selling assets in your portfolio to maintain your original desired level of asset allocation," That's a bit technical, so think of it like re-arranging the furniture in your living room. Occasionally things get out of order and you need to move the furniture to bring it back in line with how you originally wanted the room to look.

Rebalancing your 401(k) is a great way to ensure your 401(k) remains invested how you want it to be. For example, let's say you originally divided your account to invest 50% in stocks and 50% in bonds. Imagine that your stocks rose high in value. This could lead to a weighting of 70% in stocks! Rebalancing is returning to your original intent of 50/50 in both stocks and bonds.

Rebalancing can be a bit tricky if you've never done it before. So if you'd like a complimentary second opinion on your 401(k) and how to rebalance it, please let me know. I'd be happy to help. My number is 1 800 277 0025

Tip #3. Be sure your investments are lined up with your overall goals

Determine whether the investments in your 401(k) are in line with ***your*** overall goals. Sometimes people find their 401(k) contains companies that are either too risky or too conservative … but how could you know that if you don't look at your 401(k)? That's why it's smart to periodically review your investments to make sure everything is in order. Think of it like checking the tire pressure on your car.

Of course, if you have any questions about the specific companies in your 401(k), and whether they may be too risky or too conservative, please contact me. I would be happy to answer any questions you have. Additionally, the ProVest Wealth Toolkit can look at the risk in your current portfolio with our Risk Assessment Tool.

Tip #4. Consolidate your old 401ks

Consolidate: If you have multiple 401(k) accounts, roll your old account balances into your current plan (assuming the current plan is performing well). Another option is to roll old 401ks into an IRA that you have more control over.

Tip #5. Review your 401k holdings with a tax professional

Have a certified tax professional examine your 401(k) holdings to determine if they can be made more tax efficient. In many cases, certain funds in your 401(k) can cost more in taxes than they're worth. While I do not provide tax advice, I can certainly put you in touch with a good tax professional.

Tip #6. Do not withdraw from your 401k if at all possible

Avoid the temptation to withdraw money from your 401(k) before retirement. Frequently those who borrow never pay themselves back; don't rob Peter to pay Paul. As the saying goes, "Good things come to those who save!" In most cases, withdrawing early can lead to severe penalties.

Let me know if you would like further information on the ins and outs of 401(k) withdrawals.

Tip #7. Be careful about investing in your own company's stock

Do you work for a publicly-traded company? If so, are you investing in your own company's stock? Thousands of pre-retirees have a good portion of their money tied up in the company they work for. Whether it is in the form of an employer-sponsored retirement plan like a 401(k), vested stock options, or simply by choice, it is crucial that you determine if your company's stock is the best place for your money to be.

Sometimes, investing in your company can be a smart move, especially if the business is growing. Other times, the company may take up far too large a space in your portfolio, leaving you vulnerable if things go south. This is especially true if you have a 401(k). After all, you already rely on your employers for day-to-day income, so it may not be wise to tie the bulk of your future savings to them as well.

If you are investing in your company's stock, ask yourself why. Is it because of how your company's 401(k) is allocated? Is it out of a sense of loyalty? Or is it because you *know* it is a good investment?

The answer for most pre-retirees is usually one of the first two reasons. Most people have neither the time nor the training to understand if their company's stock is under- or overvalued, and it is important to note that you can't simply rely on a stock ticker. Remember, just because a stock is going up today doesn't mean it will go up tomorrow, and vice versa. So, most pre-retirees simply don't know whether their company represents a good investment or not.

Deciding whether to invest in your company, or not, is a big decision. It is worth taking a few minutes to ensure your decision is an informed one. One of the services I provide is a complimentary review of people's 401(k) or other retirement accounts. This is one of the best ways to ensure your retirement savings are exactly where they need to be. As part of that review, I can also give you an objective analysis of your company's stock.

Tip #8. If you're over 59 ½, you may want to consider a partial in-service rollover to an IRA

These days, many pre-retirees save for retirement primarily through an employer-provided 401(k). 401(k) accounts can be a great savings tool, especially if your employer matches your contributions. But there are occasions when relying on a 401(k) account isn't the best option.

For example, some employers *don't* match their employees' contributions, which takes a major shine off these types of accounts. Other 401(k)s have a narrow range of investment options to choose from, leaving employees dissatisfied and frustrated with the results they've been getting. Many of these people would love an alternative, but don't feel like there is one.

The good news is that there may indeed be an alternative. It is called an "in-service withdrawal."

You see, most people believe that withdrawing money from your 401(k) before you retire will trigger additional taxes and penalties. And that's true—*except* if your company's retirement plan has an in-service withdrawal feature. Here's how it usually works. For companies that permit it, workers can begin withdrawing funds from their 401(k) starting at age 59½ *without* incurring any early-withdrawal penalties. You can use the money you withdraw to invest in an IRA (which will often have a wider range of investment choices) or some other vehicle if you so choose. Of course, the money *would* be considered ordinary income and taxed as such, but that can be a small price to pay if you're unhappy with how your retirement savings are currently invested.

One popular tactic is to withdraw a *portion* of the funds inside your 401(k) for placement inside an IRA. The remainder can be kept inside the 401(k). This gives you the best of both worlds: the IRA's wider range of investment options, combined with continued access to your company 401(k) and any contribution-matching that comes with it.

It is important to note, that in-service withdrawals aren't right for everyone. Again, 401(k) accounts can be a great tool, and may in fact be the best place for your money to be. But if you are not satisfied, it's worth looking into whether your employer permits in-service withdrawals.

Not every company does, but about 70% of companies do. You can usually find out by simply asking your Human Resources Department or Plan Administrator.

https://lavishgreen.com/article/AnyGaHdUqbTx8ta9wtED/top-8-tips-to-maximize-your-401k-return

https://bogartwealth.com/maximize-your-401k/

Please be sure to speak to your representative to carefully consider the differences between your company retirement account and investment in an IRA. These factors include but are not limited to changes to availability of funds, withdrawals, fund expenses, fees, and IRA required minimum distributions

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