



F.I.T. Focus – Aug 2019

8 Items to Review in Your Employer-Sponsored Retirement Plan

At AtwoB, we have extensive experience working with Employer-Sponsored Retirement Plans, with both the participants and the business owners who offer the plans, so we know what's important. These plans are generally the largest savings we accumulate in our lives, but once they are set up, most people forget about them. However, while these plans make it easy to save, participants should regularly review the following 8 areas:

- 1. Contributions:** You contribute a percent or fixed amount of your wages, either pre-tax, or if available after-tax (Roth). Your employer may also contribute additional funds. If you are not maxing out your elective contributions, put away what you can afford, but strive to increase your contribution amount over time. In 2019, the elective contribution limit is \$19k (pre-tax and/or after-tax), and increases to \$25k if age 50 and older ¹. If available, at least attempt to put away enough to maximize any employer-matching contributions.
- 2. Investment Menu:** Generally you can build your own portfolio a la carte, choose a target-date fund, or, if available, choose from pre-built model portfolios. Review your menu of available investments, as they may change from time to time, and evaluate how the choices fit into your bigger financial picture.
- 3. Target Allocation & Risk Tolerance:** Your target allocation should align with your risk tolerance. Your target allocation will reflect your mix of stocks, bonds and/or other investment classes, and will determine the behavior of your investments over time. Your risk tolerance, which is your ability to withstand market volatility and short-term losses, aims to let you *sleep at night*. If you haven't reviewed your account in a while, you may be taking more risk than you are comfortable with, so you should assess your allocation and risk alignment.
- 4. Rebalancing:** Since markets rise and fall, rebalancing is the process of re-allocating your investments to the target allocation. You can rebalance manually or your plan may have an auto-rebalancing feature. Also, your ongoing contribution allocations may be different from your intended target allocation, so it's sensible to review future contributions to ensure that they are aligned with your target allocation.
- 5. Participant Services and Education:** If any of the above points make your head spin, assistance is often available. Some, if not most plans, have an investment advisor or participant services available to be a resource for you, so take advantage of their expertise and guidance.
- 6. Roth Option:** Some plans offer an after-tax (Roth) deferral option. Unlike pre-tax contributions which are not taxed today, but are taxed upon withdrawal, the Roth option allows you to contribute after-tax money now, which is not taxed upon withdrawal. The Roth option may be beneficial to those who are in a low tax bracket now and expect to be in a higher tax bracket in retirement. Consult your financial and/or tax advisor.
- 7. Fees:** Fees eat away at your investment return, so it's important to understand how much you're paying. Fees comprise of investment lineup expense ratios, administrative & record keeping fees, and/or investment advisor fees. While your employer may elect to pay some of these fees, which you may not see, you can review what *you pay* in your annual 408b2 participant fee disclosure document.
- 8. Beneficiaries:** The person(s) or entity(ies) that you indicate who will inherit your savings upon your passing. Most people set up the *Primary* and *Contingent* beneficiaries to their plans when enrolling for the first time. In all likelihood, your life circumstances have changed due to life events such as marriage, divorce, children, etc., so you may want to review and update to reflect your intentions.

¹ Some plans may allow you to contribute above the maximum \$19k using additional after-tax dollars, however between employee and employer contributions the maximum amount is \$56k, and increases to \$62k if 50 and older, in 2019, and is subject to limitations and/or testing.

If you have any questions regarding this report, please contact us at info@today2b.com or 914.302.3233

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