https://www.unionleader.com/news/business/money_sense/marc-a-heberts-money-ense-make-the-most-of-your-employers-retirement-plan/article_b79d92b4-a4e7-5e82-a2bc-91046f247101.html

Marc A. Hebert's 'Money $ense': Make the most of your employer's retirement plan

Jul 4, 2020

ACCORDING to the National Compensation Survey from the Bureau of Labor Statistics, 55% of employees participate in a retirement plan at work. This plan is often the largest asset an individual has and one of the most important. If you are a participant, managing your retirement plan carefully could help provide for many years of benefits. Just how does one accomplish this? Here are a few of our suggestions:

One reason to contribute to a plan is to get the "free" money. If your employer matches a portion of whatever you contribute to the plan, this is just like receiving additional money. It is a good idea to contribute enough to make the most of the match. In order to do this, learn your plan's rules and understand how the matching formula works.

It is also important to know if there is a vesting schedule. Your employer may require you to stay employed with the company for a certain period of time before the matching funds are considered yours. If you leave the company before this vesting time frame is up, you may forfeit the matching contributions. Keep in mind that you are always vested in your own contributions that you make to the plan.

A retirement plan is a way to save for exactly that — retirement. It is a good idea to consider what your retirement needs may be. This will allow you to gauge how much you will need to save to meet those needs. Contributing directly from your paycheck is an automatic way to regularly save. You might even want to increase your contributions as you receive raises — just be aware of the annual limits your plan may have on your contribution amounts.

Consistent savings is the key to building wealth. The benefit to a retirement plan is the tax deferral on the earnings. These earnings, depending on the type of plan, may be taxed once you start to make withdrawals to fund your retirement.

In addition to knowing the contribution and vesting rules, you should also become knowledgeable about the investment options within the plan. The options the plan has may be limited. Choose the ones available that will best meet your needs. If possible, you might want to save additional money outside the plan. These funds can be used to purchase the category of investment your plan does not offer. When reviewing your portfolio, consider the big picture of all your investments, both within and outside of the employer retirement plan. Diversify your investment choices – don't put all your eggs in one basket.

When reviewing the investment choices, check what the expenses of those choices are. Be careful about selecting funds with high fees compared with other investments for that particular class of assets. High fees will affect your returns. While you can't control all the fees, it is important to know what they are and take them into account when making investment decisions.

When considering your investment choices, it is important not to do it once and be done with it. Your investments need periodic attention. The plan may have added choices to the investment options that better fit your time horizon or risk tolerance. Keep an eye on your investment allocation, which may no longer be in line with your original targets due to market fluctuations. Provided they still meet your needs, it is important to rebalance your investments back to the original targets.

Finally, if you leave your job, consider carefully what to do with your employer retirement plan. It is usually not a wise decision to cash it out. This eliminates the assets available for growth and use down the road.

You may be able to roll the account into your new employer plan or an IRA. It may be helpful to meet with a certified financial planner to discuss how to handle your plan.

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