RETIREMENT PLAN
Update

Wealth Management

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Your Challenge, Our Solutions™

Your plan account statement can reveal valuable information

Review your retirement plan account statement in detail at least once a year to ensure that your information is accurate and see if you need to make any changes to your contributions or investments going forward.

It's smart to make a point of reviewing your retirement plan account statement in detail at least once a year. You'll want to ensure that the information in your statement is accurate and assess whether you should make any changes in your contribution level or investments going forward.

Ensure personal details are correct

To start your review, check the following for accuracy:

- Personal information (e.g., name, address, phone, etc.)
- Hire date (since it can affect vesting)
- Contribution amounts (yours and your employer's, if applicable)
- Investment instructions
- Beneficiary designation

Review your investments' performance

Any large change—up or down—in one investment market can impact

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your portfolio's overall asset allocation.[1] Consider rebalancing your portfolio at least once a year so that the percentages you have invested in stocks, bonds and cash alternatives remain in line with your desired asset allocation.

As a retirement plan investor, your investment goals are typically long term. As such, you may decide to allocate a greater percentage of your portfolio to stock funds[2] since a longer investing horizon gives your portfolio more time to recover from any short-term declines in the stock market. However, if there have been changes in your financial situation—for example, you have experienced a job loss, or you have had to deal with large, unexpected expenses—you may have less tolerance for investment risk than before. If that's the case, you may choose to lower your exposure to higher risk investments in your portfolio.

One of the best ways to measure your portfolio's performance is to compare your investments to benchmarks. Benchmarking helps put performance in perspective. For example, it can be disturbing when a fund you own has a negative return. However, it doesn't seem so bad if the fund's comparable index dropped by a similar percentage.

Likewise, if the overall market fell 10% while your fund only fell by 5%, you would understand that your fund did well in the circumstances. However, if your fund earned returns of 5% during a period when its benchmark rose by 15%, then you may want to examine whether continuing to hold that fund makes sense.

Portfolio turnover rate

The term portfolio turnover rate refers to the percentage of a mutual fund's holdings that changes over a given period of time. Certain types of stock funds may have high turnover rates because they pursue aggressive or growth strategies. Other types— value funds, for example—may have lower turnover rates.

It can be a red flag if a fund's portfolio turnover rate is much higher than that of other funds in the same style category and the fund consistently underperforms similar funds and its benchmark. Portfolio turnover rate is just one of the many factors investors should review when assessing funds in their portfolios.

Management fees

Mutual funds charge management fees to help cover the expenses of operating the fund. Typically, management fees are used to compensate the investment managers who select and monitor the fund's investments. Deciding whether to continue owning a mutual fund based on how much it charges in annual management fees is a subjective judgement. If the management fees are higher than those of other comparable funds and the fund's performance demonstrates no appreciable difference, then it might be worth looking deeper into the issue.

Work with a professional

Reviewing your retirement plan account statement can help identify strengths as well as deficiencies in your retirement planning and allow you to respond accordingly. Your financial professional can also be a valuable partner in ensuring that you are on the right track to a financially solid retirement.

Questions to ask about your retirement plan

It's important to have a good understanding of how your retirement plan works. Here are some questions you should ask.

Participating in your employer's retirement plan can help you save for your retirement years. But to make the most of the plan, you'll want to have a good understanding of how it works. Here are some questions you should ask.

What type of plan is it?

The first thing you should find out is whether your employer offers a defined benefit plan or a defined contribution plan. A defined benefit plan is employer funded and provides a specific monthly pension benefit to you when you retire. A defined contribution plan, such as a 401(k) plan, does not promise you a specific retirement benefit. Instead, the amount you receive depends on the balance in your plan account when you retire (or receive an earlier distribution). Both employer and employee contributions may be allowed, and employees may be responsible for choosing their account investments from the plan's list of options.

Who is eligible to participate and when?

Federal law allows employers to include and exclude certain groups from a retirement plan. For example, there may be one plan for salaried employees and another for union employees, or a plan may not cover some part-time employees at all. Eligibility is generally based on age and years of service to the company.

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How do I contribute?

Some plans have auto-enrollment, which means employees are automatically enrolled in the plan unless they choose to opt out. These plans also have a predetermined contribution amount that is automatically taken from the employee's paycheck and put into a predetermined investment in the plan. Employees should receive information on how to change their contribution amounts and investments or how to opt out altogether. If your plan doesn't have auto-enrollment, you'll be able to choose your contribution amount and investments upon eligibility to join the plan.

Contributions taken from your paycheck are typically made pretax. If your plan has a Roth option, you can make after-tax contributions to your plan. Your employer may contribute to your account as well, through matching contributions—where the amount you contribute is matched up to a certain percentage—or profit sharing contributions, or both.

Would I forfeit the amount in my plan account if I leave my employer?

Your plan's vesting schedule will tell you how much time you have to be with your employer before you can keep your employer's contributions to your plan account and any investment earnings on them. For example, your plan may have a four year vesting schedule, where you may be 25% vested after your first year of service and 25% for each year after until you reach 100%. You are always 100% vested in your own contributions to the plan and in any earnings from those contributions.

When can I take money out of the plan?

That depends on the terms of the plan. But as a general rule, you'll want to wait until you retire to start withdrawing your retirement savings. Your plan also may allow you to take a hardship withdrawal in a financial emergency.

So how do I find out all of this information about my plan?

A formal, written plan document is a requirement for any retirement plan. Your employer should also provide you with a less formal summary plan description, which should include the plan's rules and other information you may need to understand the plan. Your financial and tax professionals are another resource you can turn to for assistance with retirement planning and assessing your workplace retirement plan.

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1. Asset allocation does not guarantee a profit or protect against losses.

2. You should consider a fund's investment objectives, charges, expenses and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.

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