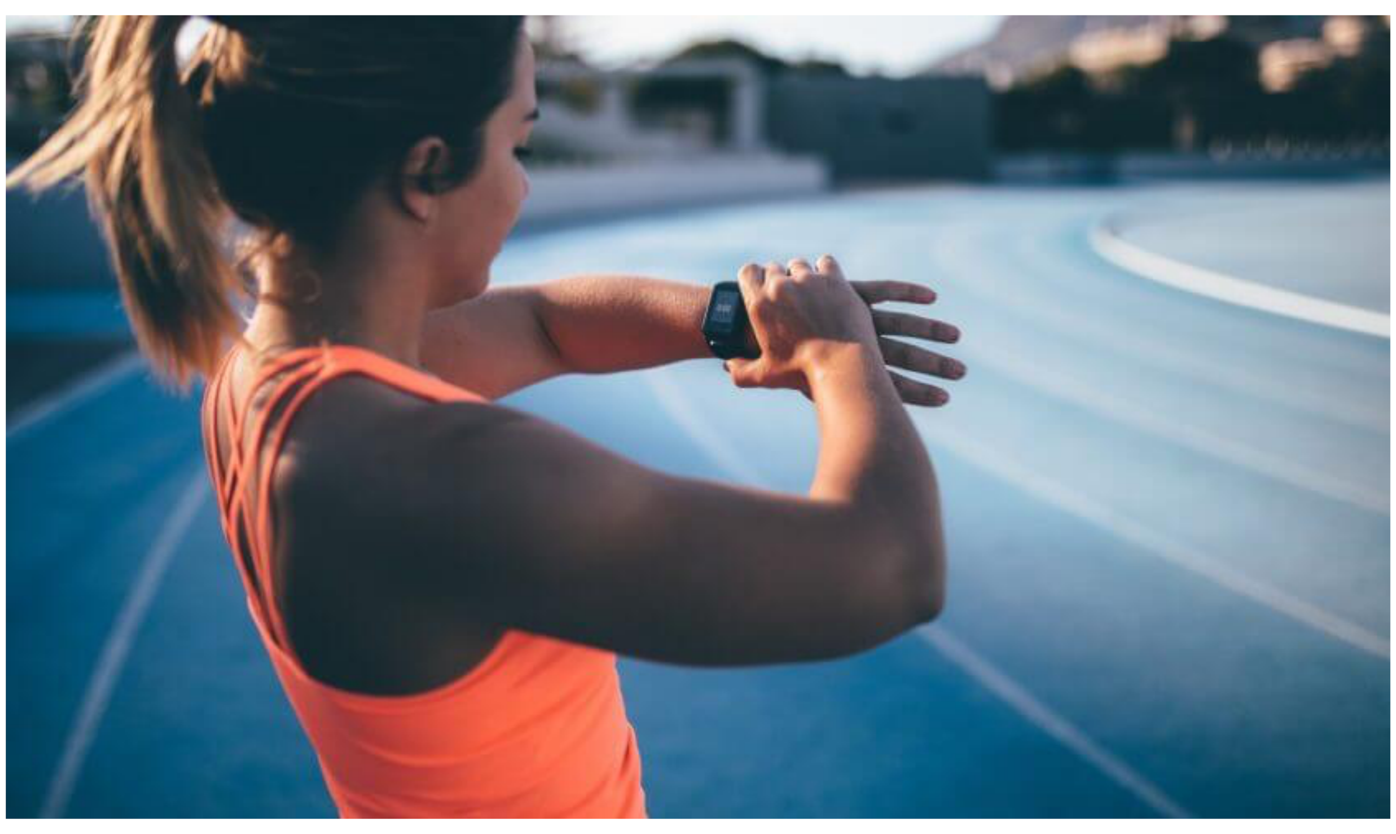
INVEST RETIREMENT

MAKE SURE YOUR 401(K) IS ON THE RIGHT TRACK

Beth Braverman | May 12, 2023



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While the beauty of a 401(k) is it doesn't need much regular maintenance, it's important to take a look at it at least once or twice a year.

You've scheduled your annual physical and your kids' physicals. Your half-yearly dental cleaning. Maybe even your own mammograms, colonoscopies, bone density scans (or those other tests that come with #healthyaging.)

But how about a checkup for your 401(k)?

Huh?

Yes, it needs one, too. While the beauty of a 401(k) is that it doesn't need as much maintenance as say, your grays (unless you're embracing the hot hair color, and if you are we're all for that), you do need to look at it at least once or twice a year.

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The first step? Log in to your 401(k) portal or find your last statement. Don't worry, we'll wait!

OK, got your info? Let's roll! Here's what to do next:

DON'T FREAK OUT ABOUT YOUR RETURNS

If you don't regularly track the stock market, you could be in for a nasty surprise when you look at your most recent 401(k) statement. Over the past year, the markets as a whole have been rather steady, but that's not true across all sectors, and may not be true going forward if inflation continues or a recession hits. But as long as you're invested for the long-term (at least five years or more), there's no reason to worry about how your investments have performed over the last month or even year.

That said, now's a good time to check in on whether your investment allocation still aligns with your goals. If a falling 401(k) balance could keep you up at night, you may need to dial back the amount of risk you're taking by reducing your stock holdings. "It's important to make sure that your risk exposure matches your age and your goals," says Skip Johnson, director of business development at Gratus Funds and the co-founder of Great Waters Financial in Minneapolis. "Typically as you age, you may want to reduce your risk, while younger people need to make sure that they're not invested too conservatively."

INCREASE YOUR CONTRIBUTIONS

You should aim to save at least 15% of your income for retirement (including matching dollars), but don't worry if you're not there yet. Many women were just starting to catch up after the pandemic and then inflation took another cut out of savings.

Salaries have been rising, the plus side to inflation, so if you got a raise at the beginning of the year, congratulations! You can increase your contributions now without feeling much of a pinch for your budget. Some companies do this automatically for you, but it's worth taking a look at whether you can increase your contributions further. "If you're getting a 2.8 or 3.5% raise, you give 1% to your 401(k) and take the rest home with you," says Nathan Voris, head of Channel Strategy at Morningstar. "That's an easy way to achieve multiple goals, increasing your income at home and also increasing your savings rate."

If you didn't get a raise, try to increase you contribution by at least 1% anyway—and ask your company if they'll continue increasing at that rate on an annual basis for you until you're maxing out. If you find the 1% isn't missed, in a month or so go in and do it again.

And note: Even if you were maxing out your 401(k) contributions last year (Go you!), you may be able to save more this year. The government increased the 401(k) contribution limits by $2,000 for 2023, so you're able to put up to $22,500 into your account without paying taxes on it. Savers age 50 and older can sock away an additional $7,500 on top of that $22,500.

GET SOME GUIDANCE

If you're unsure whether you're making the right investment choices or whether you're on track to meet your retirement goals, you may be able to get help (much of it for free). More than three-quarters of plan sponsors now provide investment guidance to plan participants.

You can likely find the online tools and information about other financial wellness programs in the same portal you use to manage your retirement account. "I would encourage anyone to ask questions and empower themselves to learn about their investments if there's something that they don't understand," says Katharine Perry, a Certified Financial Planner now at CooksonPeirce in Pittsburgh.

TAKE A LOOK AT YOUR OLD 401(K)S

Your current 401(k) plan isn't the only account you should check in on this time of year. If you have old 401(k)s from previous jobs, you should take some time to make sure that you're still comfortable with those investments.

You might also consider consolidating multiple accounts, making them easier for you to manage and less likely to be forgotten or lost. While you should never cash out an old 401(k), you can roll them into your current 401(k), if you're happy with your investment options, or into an IRA.

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