Participating in Your Employer Sponsored Retirement Plan

Employer-sponsored retirement plans are some of the most powerful retirement savings tools available. Here are some tips to take full advantage of yours.

Understand how the plan works

At their core, employer-sponsored plans deduct an amount you set from each paycheck and invest that money in mutual funds. The idea is for you to leave the money alone and only withdraw at retirement.

Contribute as much as you can

Aim to contribute 10%-15% of your paycheck. If you can't right now, try to contribute enough to receive the full employer match (if available). The IRS contribution limit for 401(k) and 403(b) plans is much higher than IRA limits, which makes employer plans a great way to save as much as you can for retirement.

Evaluate your investment choices carefully

The right investment mix for your employer's plan could be one of your keys to a comfortable retirement. Research the investments available to you with a professional (like us!) to help you determine the appropriate mix for your time horizon and risk tolerance.

Know your options if you leave your employer

If you leave your job, your vested balance in your former employer's retirement plan is yours to keep. Options available to you include requesting a lump-sum distribution, leaving your funds in the old plan, or rolling your funds over to an IRA or new employer's plan.

Benefits of Participating:

- **Convenience:** Contributions are automatically deducted from your paycheck.
- **Compounding interest:** Investment returns can be reinvested, potentially earning even more returns over time.
- **Tax advantages:** Contributing pre-tax can lower your taxable income and reduce the amount of taxes you owe. Investment earnings, employer match, and pre-tax contributions are typically tax-deferred until withdrawal.

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