



Helping Employees Make the Most of Their 401(k)/403(b) Plans

Now is a great time to check in with your retirement savings.

1. Review your current strategy. How has your retirement savings plan assets performed during the year? Review recent quarterly statements and compare them against previous years' statements. Or ask a financial advisor to determine if you're still on track to meet your retirement goals.

Given your level of comfort with risk, you may have moved into more conservative investments, and it may be time to revisit those choices.

Don't stop there. Break down your portfolio's performance by asset categories. Did stocks do better than bonds or vice versa? If so, you'll need to consider the next item on the checklist.

2. Rebalance your assets. Your investments' performance will determine whether you need to rebalance your portfolio to reflect your target asset allocation. Suppose, for example, you started the year with an asset mix that was 80% stocks and 20% bonds. If stocks outperformed bonds during the year, your stock holdings might now represent 85% of your portfolio's value, versus 15% for bonds.

If rebalancing is necessary, you would sell some of your investments in the asset class that has become over weighted and buy shares in the class that has become under weighted. In addition to keeping you true to your target allocation, rebalancing may result in selling assets that have done well and buying others that have not performed as well. That's the classic buy low, sell high goal of investing.

3. Increase your deferral rate. Even if your investments posted a good year and your retirement plan is on track, increasing your contributions has advantages. Boosting your savings rate can give you the potential flexibility to retire early, provide potential additional tax advantages, and allow you to build assets that

Chas P. Smith & Associates, PA, CPA's
1509 South Florida Avenue, Lakeland, FL 33803
Telephone (863) 688-1725; Fax (863) 688-0692
www.my401kpilot.com
email pgolotko@my401kpilot.com

can eventually be passed to your heirs. At the very least, you should strongly consider contributing enough to earn the full amount of your company's matching contribution, if one is offered. How much should you invest?

The contribution limit set by the government for 2005 is \$14,000. (Your employer's plan rules may differ, so be sure to check them out as part of your planning process.) Also, if you're age 50 or older, you may be eligible for a "catch up" contribution that the government has increased to \$4,000 in 2005, making your contribution limit \$18,000 for the year. Check your plan details to find out if you're eligible.

A down year for the stock market is likely to mean that you'll need to step up your contributions if you want to stay on track to hitting your retirement savings goal. Similarly, getting married or experiencing a significant change in your financial status, for example, could affect your deferral needs.

Call for a free half-hour analysis of your retirement account.

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