



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

How to Monitor Your 401(k)

Monitoring a 401(k) plan is a lot like swinging a golf club. The harder you try, the worse the results usually are.

A tight grip won't do you any good. Put all your 401(k) into a cash account, and your money won't go anywhere. Trying to knock it a mile by frequently trading your investments isn't likely to help, either. You'll just end up with a lot of mishits.

Instead, you need a smooth follow-through. These five tips will produce that--and help you meet your goals.

1. Remember Your Reasons

Remember why you started saving in your company 401(k) plan? Your reasons were simple. You were going to start saving for retirement. Retirement is a long term goal regardless of what age you are. You can expect to live another 30 years after you retire. What does that mean to you? Your retirement assets need to be invested for the long-term. If your asset allocation is appropriate for your risk tolerance, leave your account alone. Only rebalance if it makes sense. If you are not confident with your investment knowledge, don't be afraid to seek professional help. Find an advisor who is reputable and knowledgeable on asset allocation and investments.

2. Be Patient

We all know money does not grow on a straight line. Compounding takes time. Be patient and continue to save. Your patience will pay huge dividends in the long run.

3. Give Yourself a Raise Every Year

Saving for retirement is an ongoing opportunity. Your 401(k) plan allows you to pay yourself before you pay others. What better reward for your hard work. So every year, increase your contributions. If you elected to contribute a percentage of your pay, your contributions will increase automatically with each raise. If you elected to contribute a certain dollar amount, your contributions will not increase unless you elect to take more out of your paycheck. Regardless of your election, make sure you increase your contributions every year.

4. Resist the Urge to Tinker

It's easy to manipulate the holdings in your 401(k) plan. The account is shielded from taxes, so Uncle Sam won't penalize you when you move money around.

Don't do that too much, though. Reorienting your holdings in anticipation of market movements is a losing gambit. Market timing does not work. A good sound asset allocation will do more for your growth than market timing ever will.

5. Relax

Your work should be minimal. You should check in every six months to make sure that your investments are fulfilling their roles. Watch out for strategy changes, manager departures, long-term performance shortcomings, and alterations to your plan options.

And don't be obsessed with the daily movements of the market--take market commentators in stride. They don't have any idea what your individual goals are. You set up your 401(k) as you did for a reason. Keep your destination in mind, and don't get wrapped up in the process of getting there.

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

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