

## VIDEO

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# Focus on Funds: Smart Strategies Help Savers Make the Most of Their 401(k)

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## Smart Strategies Help Savers Make the Most of Their 401(k)

Putting your 401(k) plan through a “checkup” may help you maximize savings and take full advantage of your compensation package. In the November 17, 2017, edition of *Focus on Funds*, ICI Senior Director of Retirement and Investor Research Sarah Holden explains what to do.

## Transcript

**Stephanie Ortvals-Tibbs, director, ICI media relations:** It is about time that you had a checkup on your 401(k) account? ICI’s Senior Director of Retirement and Investor Research Sarah Holden shares some pointers on making sure that you’re getting the most of your retirement savings plan.

**Sarah Holden, senior director of retirement and investor research, ICI:** The first thing is to check if your employer offers a 401(k) and make sure that you’re enrolled, because you can’t participate if you are not in the plan. Once you’re enrolled, the really key thing is to check your contribution amounts, because nine of 10 participants are in a plan that has employer contributions. And what this means is that the employer actually puts money into your account, so you want to make sure that you take advantage of that—because often it’s the case that the amount the employer puts in is going to depend on how much you put in—so, it’s usually a match. If you don’t max out that employer match, you have literally left money on the table.

**Ortvals-Tibbs:** You’re missing out on a benefit.

**Holden:** You are. This is part of your compensation; it’s part of what they offered you when they hired you—you want to make sure to take advantage of it.

**Ortvals-Tibbs:** Sarah, it’s also really important to keep looking at that contribution as you go through your career because when you hit 50, you’re going to be eligible for a catch-up contribution and, really, throughout the course of your work life, there could be other adjustments you want to make.

**Holden:** Yes, so once you turn 50, you can make a catch-up contribution, which means that at a time of your life when you have gotten past the saving for education, and the saving for a home or a family, you can really focus on retirement. You're able to actually put more money in.

**Ortbals-Tibbs:** So that's something that people should look at if they've reached that age and might want to boost their savings further.

**Holden:** The other thing to check is, if you enrolled at a young age and you haven't revisited your contribution rate, most people increase their contributions over time. You might want to check that, maybe you just need to up it because you started so long ago and you haven't really looked at it recently.

**Ortbals-Tibbs:** Let's also think about other advice that you need to offer people. What about their investment allocations?

**Holden:** A key change that has happened in plans over time is that we really have a whole lot of new options available to folks. On average, there are more than 20 choices in a 401(k) plan. Some people say, "That's great, 20 choices—there's domestic equity, and foreign equity, and bonds, and balanced funds. I'm going to pick and choose and I'm going to manage that."

And then there are some other people that say, "You know what, I'm really busy, or this seems complicated, I'm just going to have an investment professional take care of it." And there's typically a target date fund. With the target date fund, you simply figure out when you expect to retire, and then you choose the fund that corresponds to that year. And that fund will be diversified right now for you, and if you're young, it'll be more into equity. As you get older, and as the fund approaches and passes the target date, it will rebalance to become more focused on income as you go into retirement.

**Ortbals-Tibbs:** Sarah, when you give people a last, key piece of advice about 401(k)s, what is it?

**Holden:** Really, a key thing is that, as you go through your career, you may be changing jobs, and especially that first job, that 401(k) balance isn't going to look that big to you when you go to change jobs. But it's going to compound over the rest of your career, so it's really important to try to preserve those balances. Either leave it behind in your job's plan—or, if you can, move it to the new job—or set up an IRA [individual retirement account], and there you can consolidate a bunch of accounts together and that way you can keep track of them as you change jobs over your career, but also, they'll get to continue compounding in that special tax-advantaged space.

**Ortbals-Tibbs:** Once you put that money away, make sure you keep holding on to it as you move on in your career.

**Holden:** Try to keep it—it's special bucket earmarked for retirement, and if you keep it that way, you'll have a nice nest egg when you get there.

## Additional Resources

- [Release: Americans Support Retaining DC Participants' Investment Control](#)
- [Frequently Asked Questions About 401\(k\) Plans: The Basics](#)
- [Release: Mutual Fund Fees in 401\(k\) Plans Continue Downward Trend in 2016](#)

- [Release: Most Employers Make Contributions to Their 401\(k\) Plans, In-Depth BrightScope/ICI Study Finds](#)

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