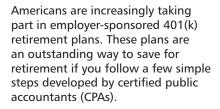
Making the Most of Your 401(k) Retirement Plan





DO start early.

There's a saying that "the key to successful investing lies not in timing the market, but rather time in the market." That's especially relevant advice for investing in 401(k) plans. By starting early and contributing regularly, your savings can continue to grow on a tax-deferred basis.

DO take the time to understand the rules.

Take the time to read the plan materials your employer provides. Know when you can enroll, how much you can contribute, if and when the company makes matching contributions, and the number of years until you are fully vested in those matching contributions. Before investing, be sure to carefully study a fund's prospectus.

DO contribute the maximum.

The rule of thumb for retirement savings is 15 percent of earnings. More may be needed for older workers (depending on accumulated amount) or for early retirement. There are maximum deferral limits with

additional catch-up contributions if age 50 or older. Any automatic enrollment plan should be reviewed and possibly changed. At a bare minimum, contribute the amount needed to receive 100 percent of your employer's matching contribution.

DO invest for the long term.

Employers typically offer a range of investment fund options, which are professionally managed and diversified to spread investment risk. Generally speaking, the longer your time horizon, the more you should invest in stock funds. Historically, over the long term, stocks have outperformed bonds and money market funds.

DO rebalance your portfolio yearly.

An annual rebalancing of your 401(k) plan investments helps ensure that you maintain a mix consistent with your long-term goals. If you've decided to keep 50 percent of your 401(k) in stock funds, a poor market may erode your assets and put your savings goals off track. By redistributing your portfolio investments, you may be able to better achieve your goals.

DO consider Roth 401(k) plans.

Some employer plans offer a Roth 401(k) component that may be a nice option for younger taxpayers. While there is no current tax savings on contributions made to these

plans, distributions are subject to rules similar to the rules that govern distributions from a Roth IRA.

DON'T underestimate the tax benefits.

Each dollar you contribute to your 401(k) is deducted from your taxable income, so you won't pay income tax on that money until you withdraw it. You may be in a lower tax bracket at that time, and would therefore pay less tax. Since earnings in your 401(k) grow tax-free until withdrawn, your money grows at a faster rate than it would in a taxable investment.

DON'T buy too much company stock.

Even if you are confident in your company, it's not a good idea to have your employment income and retirement income both dependent on the fate of the same company. Most CPAs agree that you should have no more than 10 percent of your total retirement assets invested in your company's stock.

DON'T borrow from your retirement fund.

Many 401(k) plans allow you to borrow up to half of your vested balance (\$50,000 limit), typically at prime rate plus one or two percentage points. Should you quit your job or get laid off before the loan is paid,

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the outstanding balance becomes due immediately. If you can't pay it back, the outstanding loan will be taxed at your marginal tax rate. In addition, individuals under age 59½ will face a 10 percent early withdrawal penalty on the loan amount.

DON'T cash out when you change jobs.

When you change jobs, you typically have several options. If your 401(k) balance is \$5,000 or more, you may be able to leave your money in your former employer's plan. You may also roll the money into your new employer's 401(k) plan or into a rollover IRA. If the transfer goes directly from your old plan to your new plan or to a rollover IRA, you can avoid having taxes withheld.

DO understand the rules.

The U.S. Department of Labor Employee Benefits Security Administration's (EBSA) Final Rule will help America's workers manage and invest the money they contribute to their 401(k) pension plans effective for plan years beginning after Nov. 1, 2011.

 Plan fiduciaries must act prudently and in the best interest of participants and beneficiaries.

- A comparative format (such as a chart) is required for all investment choices each year.
- Specified information must be provided to workers for informed decision-making about investments.
- Data regarding investments, including fees and expenses, must use standard methodologies.

DO consult with a CPA.

With careful planning and effective follow-through, you will have the money you need to enjoy your retirement years. A CPA can help you map out a plan for making the most of your employer-sponsored 401(k). If you elect to work with a financial adviser, it is important that you find one who you feel comfortable working with, who looks at your overall financial goals, and who understands the tax laws. Most CPAs do not work on commission, but are paid on a fee basis. Here are some key points you will want to discuss with candidates:

- What are your qualifications?
- What is your educational background?
- · Do you have any special designations?
- What are your areas of expertise?

- What is your investment approach?
- How often will you look at my portfolio?
- How are you compensated for your services?
- How much can I expect to pay for your services?

The PICPA offers resources for a variety of financial topics.

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