

Boosting Retirement Wealth With 401(k) Plans

When you think about retirement, you might daydream about relaxing strolls through the park, volunteering for a particular cause, traveling cross country or spending more time with grandchildren. Unfortunately, many people don't think enough about how they're going to pay for that retirement lifestyle. Thanks to 401(k) plans, you have a tax-advantaged way to save for retirement. To help you afford a golden retirement, Virginia CPAs offer five ways to make the most of your 401(k) plan.

1. Contribute enough for the company match.

If your employer offers a 401(k) contribution match, make sure you take advantage of it. Adjust your contribution level if you qualify for increased employer matches due to length of service with the company.

2. Increase your contributions over time.

As you get pay raises at work, consider increasing your 401(k) contributions before you get used to living on a higher income. As you pay off debts, redirect the money you paid toward those bills to your retirement savings.

3. "The early bird gets the worm."

This old saying isn't just applicable to first dibs on a home-cooked breakfast — it applies to retirement savings too. The earlier you start contributing to a 401(k) plan, the longer your money has time to compound.

4. Don't forget about it.

401(k) plans are self-directed, which means you are responsible for choosing how to invest your funds. What you do or don't do can impact the return you get and the amount of money available to you at retirement. To reduce your investment risk, don't invest all of your 401(k) money in one fund, including your company stock.

5. Check out the new Roth 401(k).

If your employer offers the new Roth 401(k) that debuted in January 2006, consider taking advantage of this retirement savings plan that combines the tax-free withdrawal aspect of a Roth with the higher contribution level of a 401(k).

Visit www.FinancialFitness.org for more personal finance advice.
Brought to you by the Virginia Society of Certified Public Accountants

