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To Get the Most from Your Retirement Plan, Max Out Your Match

You've probably seen promotions at your local bank that promise to reward you with $50 if you open a new checking account. Did you know that your employer may be offering a similar incentive, but with a greater financial reward?

The idea of "free money" probably sounds too good to be true. But if you're eligible to participate in a workplace retirement plan, such as a 401(k), your employer may pledge to match your elective deferrals (the money that you defer from your paycheck on a pretax basis). If that's the case, you'll want to be sure you aren't leaving valuable retirement savings on the table.

It's time to meet your match

Employer matching formulas come in a variety of different flavors. Your employer determines both *if* it will offer a match and *how much* of your pretax deferrals it will match. Here's the good news: it's likely that your company offers a financial incentive to contribute to your own retirement readiness. According to Deloitte and Touche, 94 percent of firms that provide a workplace retirement plan to their employees offer some form of matching or profit-sharing contribution. To be eligible to receive an employer contribution, you typically must meet some age and service requirements—for instance, you might need to be at least 21 years old and have at least one year of tenure at the company.

Your employer may also apply a vesting schedule to its matching contributions. Vesting is tied to how long you've worked at the company and determines how much of the employer match you're entitled to should you retire or leave the company. For example, with a five-year "graded" vesting schedule, if you leave the company to take a new job after three years of service, 60 percent of the employer contributions might be eligible to roll over to another workplace retirement plan or IRA; if you achieve the full five years, 100 percent of those funds would be yours to keep.

To find out if your employer offers a match, and what the eligibility and vesting requirements are, inquire with your human resources department.

Enrollment Is Just the First Step…

You may already be familiar with how a retirement plan fits into the overall retirement savings puzzle. About **9 in 10 households with retirement plan accounts agree that these plans help them think about the long term and make it easier to save**. And, close to half of retirement account-owning households indicate they probably wouldn't be saving for retirement if not for their workplace retirement plans. Although enrolling in the plan and beginning to save are great first steps, maximizing your benefits through a company match is another critical element in meeting your retirement goals.

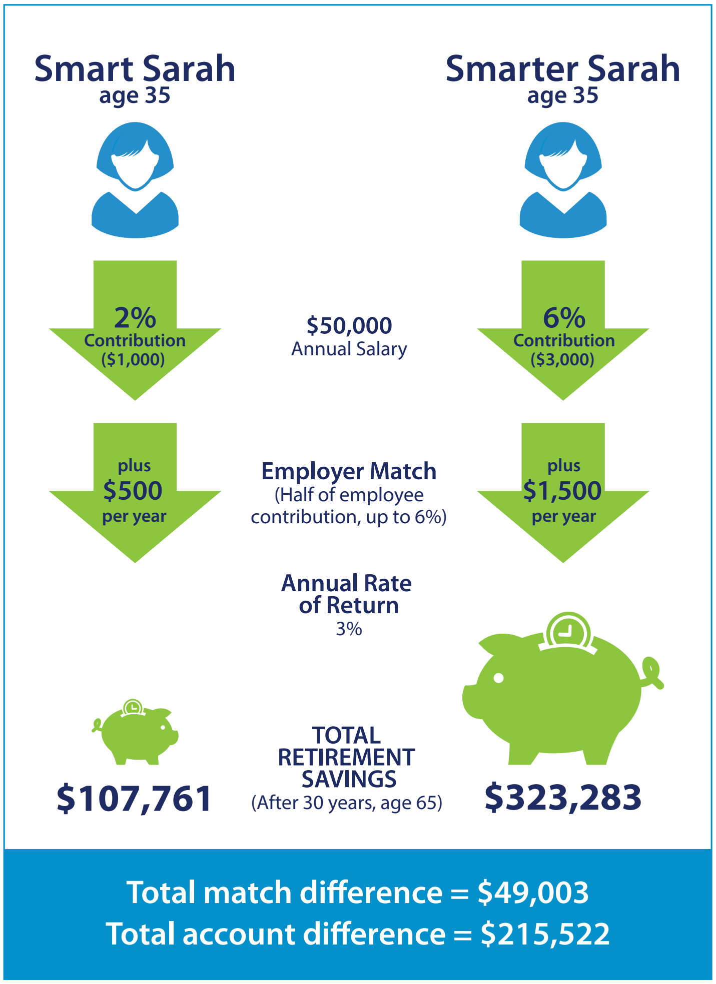
How much more could you save?

The following hypothetical example illustrates the potential boost to long-term retirement savings when an employee maxes out her match—and how much money she could be leaving on the table if she doesn't.

Example: ABC Company offers a 50-percent match up to the first 6 percent of an employee's pretax deferrals, a typical formula. A 35-year-old employee earns $50,000 annually and contributes 2 percent of her annual salary to the 401(k) plan ($1,000). If we apply the matching formula, the employee will receive an annual matching contribution of $500 (50% of $1,000 = $500). Assuming a 3-percent annual rate of return, annual salary increases of 3 percent, and retirement at age 65, the total value of her employer match would be $24,501.

Now, let's say the same employee elects to max out her match and contribute 6 percent annually through her retirement at age 65. Assuming the same rate of return and salary increases, her company's contribution would be $73,504—an additional $49,003 in the employee's pocket!

As the numbers show, capitalizing on the free money your employer is willing to put in your piggy bank is a valuable retirement savings strategy. Be sure to take advantage of all that your 401(k) plan has to offer by maxing out your match!



This is a hypothetical example and is for illustrative purposes only. No specific investments were used in this example. Actual results will vary. Past performance does not guarantee future results.

Beneficiary Planning: What You Need to Know

Designating a beneficiary on retirement accounts is one of the most important—yet one of the most frequently neglected—retirement planning tasks. A beneficiary is any person or entity that an account owner chooses to receive the benefits of a retirement account in the event the account owner dies. Here are some important factors to consider when selecting beneficiaries for your retirement accounts:

- **Don't leave a beneficiary form blank, and don't name your estate as beneficiary.** Failing to name an individual, or individuals, as your beneficiary could deprive your heirs or loved ones of inheriting your retirement assets. Another downside of not naming a beneficiary: your retirement assets would need to go through the lengthy probate process and could be subject to creditors.

- **Make a beneficiary designation for each retirement account that you own.** People often make the mistake of assuming that the beneficiary they name on one account will dictate who the beneficiary is on their other retirement accounts, but that is not the case. You need to have a valid beneficiary on file for each account.
- **Remember that beneficiary designations take precedence over wills.** Retirement assets are distributed according to the named beneficiary, regardless of any other agreements, such as wills.
- **Keep your beneficiary designations current.** Many people fail to update their beneficiary designations after major life events, such as a marriage, divorce, or new addition to the family.
- **Consider consulting a professional.** You may wish to seek the guidance of an experienced attorney, CPA, or financial advisor to help you make the best choices for you and your heirs.

Stand Up at Work!

Feeling sluggish or sore at the office? Recent studies indicate that you can boost productivity and fight off fatigue by standing up and stretching periodically throughout your workday. According to research from the Texas A&M Health Science Center School of Public Health, taking a break to stand up has numerous benefits, including burning calories, fighting the effects of obesity, increasing attention, and improving cognitive functioning. Standing up or stretching also can help to alleviate back, neck, and shoulder pain.

Here are some ways to reverse the effects of a sedentary workday:

- **Change to a stand-capable workstation.** These convertible desks allow you to work from a standing or sitting position.
- **Use a wireless headset.** Instead of being tethered to your desk by a phone cord, you can get up and move around freely as you carry on a conversation.
- **Stand up at least once an hour.** We've all been "in the zone," only to look at the clock and realize several hours have passed. Taking a minute or two each hour to get your blood flowing can refresh your body and mind.
- **Stretch 'em out.** Depending on the nature of your job, it sometimes isn't feasible to stand up. If that's the case, try doing an online search for some sitting stretches that you can perform from the comfort of your chair.

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Authored by the Retirement Consulting Services team at Commonwealth Financial Network.