

Take Advantage of Employee Financial Education

In the old days, if you worked for a company, your retirement income would likely have been in the form of a pension, with the amount based on your income level and years of service. Apart from those factors, you had little control over the size of your pension benefits. That pension model is still around, but it's not as prevalent as it once was. Today, many employers offer 401(k) plans, which give *you* the responsibility of choosing the right investment mix for your risk tolerance and retirement goals. Yet, along with their 401(k)s, many employers also provide some level of *financial education* — so you'll want to take full advantage of it.

As you peruse your company's financial education program and materials, however, keep one thing in mind: *Your employer is not going to advise you on your investment decisions.* In some cases, an employer may provide you with access to a financial advisor, but it's your decision as to whether to use this financial advisor, find one on your own or make your own 401(k)-related investment decisions.

Nonetheless, whichever route you choose, you may find that your employees' financial education materials can be helpful. Pay close attention to the following:

- *Descriptions of investments* — Your 401(k) plan might offer a dozen or more investment options, including accounts made up of stocks, bonds and money market instruments. You may also be able to invest in your company stock. Study these investment choices carefully as you put together your 401(k) portfolio, and make sure you understand the potential advantages and disadvantages of each individual investment.

Ideally, you'll want to diversify your holdings. While diversification, by itself, can't guarantee investment success, it may be able to help you reduce the effects of market volatility, which can hit investors especially hard if all their investments are tied up in just one type of asset. And, as you build and maintain your 401(k) portfolio, be aware that most 401(k) participants are probably not aggressive enough in their investment options, putting too many dollars into fixed-income vehicles and too few dollars into stock-based accounts. You will likely be investing in your 401(k) for several decades — long enough to avoid getting caught up with the daily fluctuations of the market, while giving yourself a chance for a "buy-and-hold" strategy to work.

- *"Nuts and bolts" of your plan* — 401(k) plans can vary quite a bit in how they are administered and what services they offer, so it pays to take some time to really understand how your plan works. What fees, if any, are involved in your 401(k)? How often can you change your investment allocation? Can you reach live customer representatives during working hours only, or are they also available at night and on weekends? How often will you get statements? Will you have access to a Web site that provides customized information on your investments' performance? These are the types of questions you'll want answered as you explore your plan.

Your 401(k) can be an excellent retirement-savings vehicle. Your earnings have the potential to grow on a tax-deferred basis and your pre-tax contributions can lower your annual taxable income. To get the maximum benefits from your plan, however, you must know how it works — so take a close look at those employee education materials.