

On 401(k) Day, ICI Education Foundation Highlights How to Get the Most from Your Retirement Plan

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Americans Have Saved \$4.8 Trillion in 401(k) Plans

Washington, DC, September 8, 2016—The Investment Company Institute Education Foundation (ICIEF) is celebrating National 401(k) Day this year by highlighting a few actions savers can take to make the most of their employer-sponsored retirement plans. National 401(k) Day takes place this year on Friday, September 9.

“Americans have saved trillions of dollars for retirement in 401(k)s, including their [current balances of \\$4.8 trillion](#), demonstrating the terrific success and popularity of this tax-advantaged employer-sponsored retirement vehicle,” said Christina Kilroy, vice president of ICIEF. “If you’re one of the millions of savers using a 401(k) to help build a nest egg for retirement, it’s important to make sure you’re getting the most from your plan. Small changes today can make a big difference tomorrow, and 401(k) Day is a great time for a checkup to ensure your plan is aligned with your savings goals.”

The first step, Kilroy says, is for eligible savers to enroll in their employers’ 401(k) plan. Then, she recommends a three-point annual checkup for savers:

1. **Max out the employer match.** [Three out of four 401\(k\) plans](#) include employer contributions to workers’ accounts. The amount that an employer will contribute often is based on how much an employee contributes. 401(k) participants should review their plans with this in mind to make sure they aren’t leaving money on the table. It may seem like a stretch to save more, but taking full advantage of an employer match can make increasing 401(k) contributions worthwhile.
2. **Decide on an investment approach.** Some investors want to build their own portfolios and adjust their holdings of asset classes over time. Others prefer to invest in target date funds, which hold a diversified mix of stocks and bonds and automatically rebalance to become less focused on growth and more focused on income as savers approach and move into retirement. This option has been increasing in popularity in recent years, and more than 70 percent of [401\(k\) plans offer target date funds](#).
3. **Preserve your nest egg when you change jobs.** For younger savers with a 401(k) plan, even with small balances, the costs of cashing out an account during a job change are particularly high. In addition to losing out on future returns—and the power of compound returns—investors younger than 59½ will likely be forced to pay taxes and a 10 percent penalty on assets withdrawn from a 401(k). Investors should consider their options when leaving a job, including rolling the money over to an individual retirement account (IRA), moving it to their new employer’s plan, or possibly keeping it in their old employer’s plan.

With \$4.8 trillion, 401(k) plan assets account for 20 percent of all US retirement assets and about 70 percent of all defined contribution plan assets. Workers across a range of ages and incomes participate in 401(k) plans, taking advantage of workplace saving in a wide array of investment options. Additional information about 401(k) plans is available in [“Ten Important Facts About 401\(k\) Plans”](#) and in ICI’s [401\(k\) Resource Center](#).