



1. Does the company have a retirement savings plan, like a 401K or 403B? *A 401K is for a “for-Profit” company, and a 403B is for a not-for-profit” company or Government employees, but they both offer ways for employees to save for retirement.*

2. What is the waiting period to participate in the Plan?

Companies can set their own waiting period, and some allow enrollment after 30 days; some may have employees wait one year before they can join. It is critical to keep track of the date when you can join and start the enrollment process 30 days in advance, as it often takes time to process paperwork.

3. Does the company offer a “match” if I participate in the Plan?

A match means the company is contributing something to your Plan, and thus it will grow faster than if only you are making a contribution – it is a significant employee benefit.

4. What is the “maximum match” the company will make?

A match is usually expressed in a percentage of the employee’s contribution. i.e., 50% up to 6% - that means if the employee contributes 6%, the employer will contribute 3%.

5. What is the “vesting schedule” for the employer’s match?

Employers can choose between two vesting options. Read more:

<https://www.employeebenefitsguru.com/blog/401k-vesting-schedules>

If you leave the company before you are 100% vested, you lose a portion of the company’s match. You never lose any of the money you invested?

6. Independent of the potential match, what is the maximum I can contribute to the Plan annually?

The IRS limits how much employees can contribute. The amount changes annually. In addition, some plans limit the amount high earners can contribute due to a rule called “Safe Harbor .”Read More:

<https://www.irs.gov/newsroom/taxpayers-should-review-the-401k-and-ira-limit-increases-for-2023>

7. Does the company offer a “pretax” (traditional) plan, a “no-deduction” ROTH plan, or both?

If an employee is in a higher tax bracket than they will be in their retirement years, a traditional plan is best as they get the tax deduction now; if they anticipate having higher earnings and being in a higher tax bracket upon retirement, a ROTH is better. It is all dependent on comparing tax brackets. Read more:

<https://www.schwab.com/ira/roth-vs-traditional-ira>

8. What are the investment options for the Plan, and do those options include target-date funds? *It is best to ask for the fund symbols because then you can do research on the fund using Morningstar. Often funds are created specifically for 401K institutional investors, and you want to be sure you are researching the correct one.*

9. I will turn 65 in the year. XXXX. Can you show me the current asset allocation between stocks and bonds for the two target date funds close to the year I will turn 65?

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Target Date funds are created every five years – so if you were going to turn 65 in 2037, you might explore both the Target date fund for 2035 and 2040 – in general, the latter fund will have a higher stock allocation.

10. Who is the Plan Administrator whom I can call if I have questions?

This can be a company hired by the firm to stay in compliance with regulations and make the required annual tax filings; it can also be the Custodian, the company that gets the cash and invests it in the funds, and holds the funds on behalf of employees – i.e., Vanguard, Fidelity, Schwab.

11. Who is the Custodian of the plan assets?

The Custodian is the company that takes the money and invests it in the mutual funds; usually, companies use large firms like Vanguard, Fidelity, Schwab, Mutual of America, State Street, Blackrock, Prudential, etc. to be the Custodian.

12. Do employees have to pay any of the administrator plan fees, or will the employer cover the costs? It is rare for an employee to have to pay fees, but it can occur.

13. Does the Custodian or anyone else provide guidance or education on the investment options? And how often?

14. Can I get an electronic or written copy of the “Summary Plan Description”?

A summary plan description describes the big-picture rules of the Plan. It is worthwhile reading. In particular, you might want to learn under what circumstances you can “borrow” from your Plan. The government allows certain situations, but your Plan may be more restrictive. It may require spousal consent, allow one loan at a time, or require you to pay yourself back with interest. Employers have discretion in how to set up their plans, and some of the key terms are in the Summary Plan Description. In general, borrowing from your Plan should be a last resort, but it is important to know the rules so you are not surprised. <https://www.creditkarma.com/personal-loans/i/loan-from-401k>

15. Can I get a copy of my Beneficiary Form once completed? It is critical to keep a copy of your Beneficiary Plan and remember that if you die, your plan assets will be given to those on your beneficiary form REGARDLESS of what your WILL states. In addition, if you are married, and you do NOT want to leave your plan assets to your spouse, you will need to have your spouse sign a waiver.

MORE READING:

<https://www.investopedia.com/terms/1/401kplan.asp>

A 401K is one of the most valuable ways to build wealth.

It is a significant employee benefit, especially if the company gives a match. You should enroll as soon as possible, contribute at least as much as necessary to get the full company match and contribute more if your budget allows it.

RETIREMENT COMES FASTER THAN YOU MIGHT IMAGINE!