Understanding the Costs and Benefits of Your 401(k) Plan

You probably know your retirement plan has fees, but it's not always obvious what those fees cover or what you get in return.

Like any financial decision, it's important to know what you're paying for. Information about retirement plan expenses is available on your statements and online. It's also important to consider the value you receive for those costs.

These fees cover both financial benefits and helpful services that can help your long-term retirement savings.

Built-in tax advantages

One of the main benefits of a traditional 401(k) is that you can contribute pre-tax dollars. This can help you save more for retirement and can lower your taxable income now.

A 401(k) usually lets you contribute more each year than an IRA.

When you put in pre-tax dollars, your taxable income goes down. The amount you save on taxes can depend on your tax rate, but the savings can be significant right away.

If your employer matches your contributions, that money is added once you qualify. This is a special feature of employer retirement plans and isn't usually available with individual accounts.

Access to institutional investment options

Your employer's plan may let you invest in mutual funds and share classes that aren't usually available to individual investors.

People investing on their own may only have access to higher-cost options. Employer plans often use share classes that help keep long-term costs lower.

If you invest on your own, you might pay transaction fees when you buy or move investments. In your 401(k), these fees can be reduced or avoided.

When you compare the costs, you may find your retirement plan is more cost-effective than investing on your own.

Knowing both costs and benefits helps you see how your 401(k) fits into your retirement plans. Contributing to a Roth 401(k) can lower your taxable income.

For example, if your tax rate is 24 percent and you put $10,000 into your 401(k), you could lower your current taxes by about $2,400.*

Professional oversight and ongoing monitoring

Your plan sponsor and professional advisors choose and keep an eye on the plan's investments. This helps make sure the options fit your retirement goals.

Investments are checked regularly. If any options don't meet the plan's standards, they're replaced with better choices.

This oversight means your investment choices are well put together, so you don't have to review every option on your own.

A simple and consistent way to save

Your plan makes saving simple by taking money from each paycheck and investing it according to your choices.

You don't need to make purchases, transfer money, or handle separate transactions. Contributions are taken care of through payroll.

You don't have to do anything extra. Your pre-tax contributions go straight to the plan custodian and are invested as you've chosen. This setup helps you save steadily over time.

Clear and transparent costs

Your employer provides a retirement plan with full cost disclosure. This openness lets you see what you pay, compare costs, and make informed decisions.

Enroll today by calling 800-923-2732 or by visiting myplanconnection.com.

* invenstopedia.com

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