

## BEYOND CONTRIBUTIONS: Loans, Withdrawals and Rollovers

Money in a 401(k) is designed to be used during retirement, but most plans allow you to take loans and withdrawals. Loans must be paid back over time, plus interest.

**However**, if you withdraw money before age 59½, you must pay income taxes plus a 10 percent penalty. Additionally, the lost time for compounding will substantially shrink your nest egg.

Generally, you may withdraw funds prior to age 59½ without paying a penalty to:

- finance your child's college education;
- buy your first home;
- pay for unusually high medical expenses.



**The bottom line:**  
Taking money out of a 401(k)  
before you're 59½ can be expensive.

## Changing Jobs and Rollovers

What happens to your 401(k) if you switch jobs? Typically, you have three choices:

- Leave the money where it is, with your previous employer.
- Roll it into a traditional IRA or your new company's 401(k).
- Cash it out.

If your account balance is less than \$5,000, your previous employer may insist you take it out of the plan; however, cashing out may result in stiff penalties. **The best choice:** Roll the money into another retirement account to continue the benefits of tax-deferred, compounding growth.

## Investment Quick Tips

**Get organized.** Keep all information about your investments, your 401(k) plan and your employee benefits in one convenient place. Keep your online resource handy if you have one.

### Focus on the big picture.

Investing heavily in your 401(k) while getting deeper and deeper in consumer debt isn't the path to building wealth. Make sure that you're in control of your everyday personal finances and monthly bills and that you have an emergency fund ready for a rainy day. You should avoid borrowing from your 401(k).

**Understand your investments.** Rely on the prospectus, not on sales literature and presentation information alone to make your investment choices. Note that past performance is not a reliable indicator of future performance, but past performance can help you assess a fund's volatility over time.

**Think long term.** Unless you're already over age 55, investing in a 401(k) is not for the shortsighted. A 401(k) pays off over time, so be in it for the long haul.

**Prepare to weather the storm.** The ups and downs of the stock market may not be for the financially faint of heart. Aggressive-growth investments can be particularly rocky at times, so diversify. If you're still uncomfortable with your risk, reconsider your allocations. **FYI:** All funds carry some level of risk.

**The bottom line:** Taking the time to learn about your investment options and the nature of your investments in addition to maintaining a diversified portfolio can help ensure a comfortable retirement.

### Up the ante.

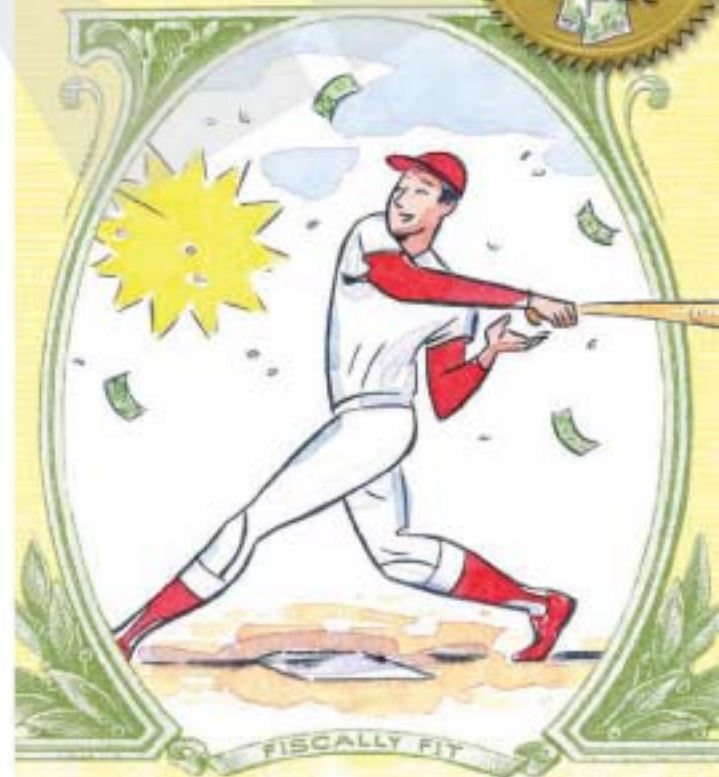
Try to increase your contribution every year.



# INVESTING IN YOUR 401(k)

Hitting a  
Retirement  
Home Run

get  
fiscally  
fit



A 401(k) is one type of retirement savings vehicle.

Once you have a 401(k) established, treat it like a vault that should stay locked up until you are 59½ years old.

The money invested in a 401(k) can grow over time into a sizeable nest egg that can help support you during your retirement.

## WHAT DOES THE FUTURE HOLD?

You're busy with work, family and bills to pay. Sometimes it's hard to focus on the future. But with life expectancies increasing, it's important to start securing your financial future now. How? Your work-sponsored 401(k) plan.

**How does a 401(k) work?** You decide the amount of money to be deducted from your paycheck, before taxes. The money is placed in your 401(k) and usually invested in mutual funds. Ideally, your money grows over time through what's called compounding.

If you're new to 401(k)s, this brochure can help you with the basics. And if you're already contributing, you'll find some simple strategies for maximizing your contributions. **The bottom line:** You can't make money with a 401(k) if you don't invest.

Every day you wait is a missed opportunity to build a nest egg for your future.

## What's at Work With a 401(k)

A tax deferred investment, such as a 401(k), gains principal (as market changes allow) when its earnings are deposited into the investment account and taxes are deferred until withdrawal. Ideally, you will have more to invest than when you contribute to an investment taxed currently.

The tax deferral allows you to build earnings on top of principal and earnings, year over year (what's called compounding).

Graphic represents hypothetical gains and does not represent the returns of any particular investment or imply any guaranteed rate of return. Your actual results will depend on the investments you select, the amount of your contribution, your actual return and your tax bracket.

Long term gains, taxed later

## 401(k) Benefits

**Not taxed now.** Unlike the interest on a savings account and ordinary dividends, you do not pay taxes on your earnings until you make a withdrawal. This is called tax deferred. You should avoid withdrawing money from your 401(k) at least until you reach age 59½ or face paying an early-withdrawal penalty and taxes. **FYI:** Most plans allow withdrawals without penalties under some circumstances.

**Lower your taxable income.** You contribute the money from your paycheck before taxes, reducing your taxable income. **FYI:** You may see only a slight reduction in your take-home pay after you've contributed to your 401(k) because of that pretax break.

**Choices.** Most plans offer stock funds, bond funds and money market funds. You choose how to invest your money, and you can usually re-evaluate and change your selections.

**Free money.** Your employer may offer a "company match" on your contributions. **Tip:** Understand your plan's vesting schedule — the time you're required to work at the company before you can receive 100 percent of your employer's match.

**No hassles.** Your money can be automatically deducted from your paycheck, so your 401(k) gets paid first. **FYI:** If your employer offers a 401(k) plan, you must elect to participate. You may not be enrolled automatically.

## Fund-amentals

Most people have an idea whether they are conservative, moderate or aggressive investors. Likewise, mutual funds have similar characteristics. **The basics:**

**Money market funds** have relatively low risks compared to other mutual funds (and most other investments). The return percentage is usually lower.

## Investing in Your 401(k)

**Risky business? It doesn't have to be.**

The ups and downs of the stock market hugely impact your 401(k) when a majority of your investments are in stock funds. Investors who take big risks can reap substantial gains for taking those risks.

By the same token, they can lose money when the stock market declines. **FYI:** Mutual funds are not guaranteed or insured by the FDIC or any other government agency.

Most experts agree, though, that if you have time on your side and you can tolerate the slumps, the stock market will rebound and, in time, reward you even if you suffer a loss.

### Smart Strategy:

#### • STEP 1 • Determine your risk tolerance.

The right mix of investment choices depends on when you need your money, how much money you currently have and expect to need later, what kind of risks you're willing to take and what other assets you have invested outside your 401(k).

#### • STEP 2 • Spread the risk around.

Minimize your risk by varying your investments. Different kinds of investments perform well at different times. Stocks generally have a high rate of return and a higher degree of risk, while bonds provide you with short-term stability and small, steady gains.

#### • STEP 3 • Get help.

Most 401(k) providers have a wide range of asset allocation resources available in their educational materials, plus online tools to help you determine what's right for you. Ask your employee benefits department or plan adviser for resources.

**Bond funds** generally have higher risks because they aim for higher yields.

**Stock funds** generally have the greatest risk (with the potential for much higher returns).