

Employer-Provided Information and Your 401(k) Plan

Between the summary plan description and account balance statements, you can expect to receive a number of communications from your employer regarding your defined contribution plan. Below is a guide to some of those communications. Be sure to save every piece of communication you receive, as you will definitely need to refer to these documents throughout your working career.

Managing the Paperwork

There's nothing more annoying than forms to fill out, especially if you already handle administrative duties in your job. But I cannot stress this enough. Pay close attention to the details of your company's 401(k) plan. Following directions, signing your documents, and filing your forms on time means more money later. In a 401(k) plan, any delays will prevent you from contributing the maximum amount and reaching the maximum benefit. Perhaps you put off completing the necessary forms because it is too confusing or intimidating. Never fear! You can always call your plan's customer service number to ask for help and explanations.

Naming Your Beneficiary

It is your beneficiary designation form, not your will or trust, that determines who will inherit the funds from your 401(k) plan, your IRA, and other retirement accounts. The assets still in these accounts will pass directly to your beneficiary without going through probate as long as you fill out the paperwork. If you do not name a beneficiary or if the beneficiary named in your plan is not your current beneficiary, your assets could go through probate after your death. This means that high attorney fees and court costs could eat away your funds. It might also allow creditors access to your money before your family.

To be sure that your money goes to whom you want, be sure to name a beneficiary and a contingent beneficiary on your beneficiary form. Your contingent beneficiary is the person who would inherit your account if your primary beneficiary passes away before you or at the same time. If you want to name someone other than your spouse (e.g. a trust or one of your children), your spouse must consent to your beneficiary election and your spouse's signature must be notarized. Also, remember to review and/or change your beneficiary form when you get married or divorced, or when there is a death in your family. Keep a record of these designations filed with other important papers so you (or others) can find the information when it is needed.

Spousal Consent

If you are married, your plan may require that your spouse sign documents for loans, hardship withdrawals, distributions at retirement, or other aspects of your plan that involve the movement of money. Know your plan requirements before you decide to make decisions that affect distribution of your plan assets.

Educational Materials

In this age of investment options and asset allocation, your company most likely offers many educational resources. In the future, employers will be providing access to financial advisory services. These resources will cover the basic concepts of investment, your plan's investment options, and how to make responsible 401(k) decisions, but they also may explain recent changes in your plan and the latest legislative developments. Nearly all plans provide printed educational materials, but your employer may also be posting educational information about your plan on the internet or its own intranet, providing modeling software, or showing educational videotapes. Don't let these valuable (and free) resources go untapped!