

RPC NEWS

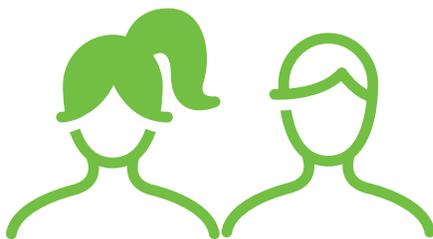
A quarterly newsletter
for Retirement Plan
Participants

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Saving for Two

An employer's 401(k) plan (or similar retirement plan) can be a good way for people to save for retirement. But what if your or your spouse's employer doesn't offer a retirement plan?

According to a study by the Center for Retirement Research at Boston College,* only about half of private sector workers have a workplace retirement plan. Since most people don't save for retirement outside of their workplace plans, often only one person in a dual-earner couple is saving. And while you probably want to save enough to maintain your preretirement standard of living, 401(k) plans are designed for individuals, which makes it difficult to save for two.



Plan Design

The Boston College researchers note that 401(k) plan design is a main deciding factor in how much individuals contribute to their plans. About half of plans offer auto-enrollment, where employees, upon eligibility, are automatically enrolled in their workplace retirement plan at a default contribution rate, which usually determines the rate at which employees save in their plans. Another feature in 401(k) plan design that influences contribution rates is the employer match. Employees may contribute at the rate necessary to receive the full employer match and often will increase their contribution amount to that rate, but they won't go beyond it.

These plan design features are targeted to help individuals save and do not take a spouse into consideration. Therefore, if you have a non-saving spouse, you may need to reevaluate and increase your contribution amount.

Closing the Gap

The study suggests that incorporating certain features in a 401(k) plan's design could help employees save more. For example, marital status might be considered when setting default contribution rates. Another plan feature that may help is auto-escalation, or incrementally increasing plan contribution rates automatically over time. As with auto-enrollment, employees have the opportunity to opt out instead of opting in, making it more likely that they'll just let it ride. Educating employees about the need to save more to cover a non-saving spouse is also important.

However, saving enough for retirement is ultimately an individual responsibility. What can you do to help ensure you'll be able to retire comfortably? Here are a few tips:

- Set a savings goal. Your financial professional can help you determine a target amount based on your projected retirement income needs.
- Consider increasing your plan contribution. Look beyond your employer match to determine your contribution rate. Take advantage of features like auto-escalation while also evaluating how much you can increase your contributions on your own. Remember that although you may have only one retirement plan, your combined incomes may make increasing your contribution rate not only desirable but also affordable.
- Consider using a traditional or a Roth individual retirement account (IRA) to supplement savings in an employer plan. A married individual may contribute to a spousal IRA even with little or no direct earnings. Keep in mind that specific tax rules apply to different IRAs, so you may want to consult a tax professional before investing.
- If there's a significant age gap between you and your spouse, plan for retirement with the younger spouse's life expectancy in mind. You may have to adjust your asset allocations if you follow age-based guidelines, and you may need to scale back on withdrawals later on since you will likely have a longer combined retirement. On the other hand, if you and your spouse are close in age and are nearing retirement, you may want to consider staggering your retirement dates in order to keep saving in your plan a little longer.

Before taking any action, please consult with your tax and financial professionals.



Source/Disclaimer:

*Sanzenbacher, Geoffrey T. and Hou, Wenliang, "Do Individuals Know When They Should Be Saving for a Spouse?," Trustees of Boston College, Center for Retirement Research, March 2019, Number 19-5.

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Switching Investments

Your retirement plan gives you the flexibility to change your investment choices if you consider it appropriate to do so. When does it make sense to add or subtract from your holdings in one or more funds in your plan account? Here are some times when you might consider making a switch.

When Your Retirement Is Drawing Closer

Making your investment decisions based on the number of working years you have ahead of you is key to successful retirement investing. So, too, is basing your investing decisions on your tolerance for investment risk. Younger participants with many years left until retirement may be able to take on a higher level of investment risk since their long-term investment horizon gives them time to ride out any downturns in the investment markets. As you near retirement you probably can't afford to take excessive risk with your retirement assets.

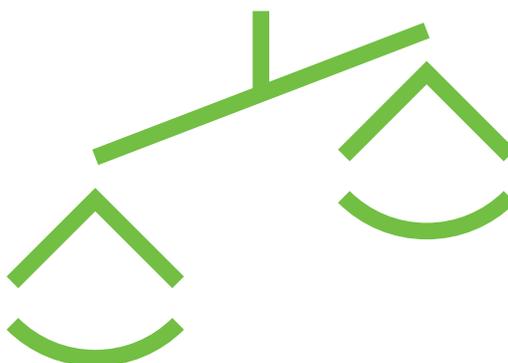
If you plan to retire in five years or less, it may be appropriate to shift from a strategy of growth to one that seeks to protect your assets. By emphasizing asset preservation, part of your retirement plan portfolio may be protected if the stock market falls significantly.

When Your Tolerance for Risk Changes

It's important to have a long-term perspective as a retirement plan investor since the market can have periods of volatility. However, your tolerance for the market's fluctuations may change due to unforeseen financial occurrences throughout your life -- the loss of a job, the need to save for a child's college education, or a health crisis. If it does, you may want to review your asset mix to see if you can restructure your portfolio so that you are more comfortable with its risk level.

When Your Portfolio Needs to Be Rebalanced

You choose how to allocate the investments among the different asset classes in your retirement plan account by considering your time frame for investing, your tolerance for investment risk, and other assets you may own. However, any change -- up or down -- in one investment class can throw your allocations off balance. When that occurs, you may want to rebalance your retirement plan portfolio to reestablish the percentages you had initially allocated to stocks, bonds, and cash investments. You may have to sell some investments and buy others to achieve the rebalanced plan account you originally constructed.



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