

You're in Control of Your 401(k)

Contribution Flexibility

Your 401(k) plan allows you to save the amount that is right for you. Your contribution can be just 1 percent of pay. For example, if you are making \$36,000 a year, you can contribute as little as \$30 each month. On the other hand, you could save as much as the full legal limit. Depending on your plan's limits and your age, this could be \$1,291 each month in 2007 (or \$1,708 per month if you are over age 50 in 2007). Your 401(k) also gives you the flexibility to adjust your contribution amount depending on your current circumstances and your changing retirement savings goals. Ideally, you will identify the savings rate necessary to achieve your retirement goals and stick with it over your working career. But if a change in your finances occurs, you could alter the amount you contribute to your 401(k) on a monthly basis.

Investment Flexibility

Your 401(k) plan allows you to select an investment mix that works for you. Typically, your 401(k) plan will offer you a wide variety of investment choices, allowing you to pick an aggressive, moderate, or conservative mix. 401(k) plans also allow you to change how your current account balance is allocated, as well as how your contributions are being allocated when they enter the plan. In most plans, you can initiate these changes whenever you want using Internet and voice response technology, and these changes may be made as quickly as the next day.

Pre-Retirement Access

While the purpose of 401(k) plans is to help you prepare for retirement, they are structured so that you can take advantage of your 401(k) savings to address short-term emergencies. Plan loans allow you to borrow against your own funds. This access to your money helps you preserve your retirement savings while meeting immediate financial needs. In extreme cases, you can take out your funds via a hardship withdrawal. However, this is not recommended because the funds cannot be replaced.

Portability

You always own your 401(k) plan assets. If you change jobs or temporarily leave the work force, your money still belongs to you.

Even better, you have several options that keep your 401(k) money in a tax shelter—you can leave your assets in your former employer's plan, transfer them into an IRA, or transfer them into a new employer's plan. This is called portability. Portability permits you to keep your savings in a tax shelter, continue adding to your savings, and continue receiving the benefit of compounding.