Your Hartford Financial Services Group
Financial News

Investment Tip: How Safe Is Your Money?

With hundreds of companies currently under investigation for misuse of participant 401(k) contributions, many of us are concerned about the safety of our retirement savings. While most employers administer their 401(k) plans properly and have regular audits to ensure compliance, we as participants can also take a few measures:

- Understand how your plan works. The summary plan description is your best source. It summarizes your company's plan features and procedures. Understand your rights as a participant in your plan.
- Check to see when your contributions are deposited into the plan. By law, companies must deposit all your contributions within 90 days. Be aware that a company's matching contribution may be deposited differently than your own contributions. Legally, a company has up to a full year to deposit matching contributions into your account.
- Check your statements. Be sure the money withheld from your paycheck matches the contributions listed on your statement. Also, make sure your contributions are invested per your instructions.

Savings Tip: Think Small—It can make you a better saver!

Consider these small things you can do to help maximize your retirement savings:

- Increase your contribution level in one or two percent increments every few months. That way your paycheck is affected minimally, and you can adjust gradually to higher savings levels. Before you know it, you'll be saving the maximum your plan allows.
- Don't stop saving. If you feel you need to stop making contributions for some reason - instead, consider contributing less. Saving one, two or three percent is better than not saving at all. And, it will be easier to get back up to higher savings levels than if you had stopped your contributions altogether and had to start all over again.
- Plan ahead. If you can change your contribution level by turning in a form, turn in two - one for your current change and one dated later for a future increase. This will help you put future plans into action. Check with your human resource or personnel department beforehand to make sure it can hold your post-dated form.
- If you have the option, save as a percentage of your income rather than a set dollar amount. When your contributions are set up as a percentage, your savings level adjusts in proportion to your income and automatically increases as your pay increases. And anyone who's ever received a paycheck with reduced hours can appreciate the benefit on the flip side.

Don't forget to think small. Ten dollars less each week now could mean more than $89,000 toward tomorrow's retirement*. So remember, every little bit counts.

* Assumes a 27 percent tax rate and an 8 percent annual rate of return on $13.70 weekly pre-tax contributions for 30 years.

Carolina Dreamin'

Michael Farr – 57
Carolina Handling, LLC
Service Repair Technician

Michael has been participating in his company's 401(k) plan since it began 14 years ago and is saving the maximum pre-tax contribution of 15 percent of his gross income. He's been thinking about his retirement strategy for over 35 years now and has been investing for just as long.

While he believes Social Security may be available when he retires in a couple of years, "it's not a factor in my planning and any money I receive from it will just be gravy on top of my other investments."

In a couple of years Michael plans on retiring and moving out to the Carolina coast to enjoy the weather and "do some fishing," (flounder is the fish of choice). In order to do this, he thinks he will need about 60-70 percent of his current income. To help him achieve this goal, Michael invests his 401(k) savings into both stock and bond funds. Even while focusing on this moderate risk strategy, Michael has recently moved a small portion of his savings into the international option to "take advantage of foreign markets when the US market is down."

Michael does not make many changes to his portfolio. Instead , he determines his strategy and sticks with it. Accordingly, he does not pay much attention to short term volatility because "it has been proven over the years that stocks go higher over the long term."

In addition to his company plan he invests in property and individual stocks to supplement and diversify his total portfolio. Because of his additional retirement income sources, Michael will not need to begin withdrawing from his 401(k) right away. So, investing in a moderate risk strategy may be appropriate for his situation.

Participant Focus – Calculating Success

Ann Lincoln
Chicago Trust Company, Chicago, Illinois

As part of her job with The Chicago Trust Company, Ann Lincoln does a fair amount of traveling. That's fine with her. It suits her lifestyle and gives her an opportunity to spend time with family and friends along the way. Being the adventuresome type, she also loves traveling to Greece, which she visits every couple of years. "Don't ask me why," she says, "I'm not Greek; it's just a passion of mine."

Last year Ann did something she had been thinking about doing for a long time. "I have been saving in my retirement plan for 20 years," she says, "but I really didn't believe that I could save enough for a comfortable retirement. I was afraid to calculate just how much money it would really take." When she finally decided to sit down and figure it out, using a Web site retirement calculator, she realized that she could retire at age 60 with her current level of saving. "It was so reassuring to know that I'm on track, I wish I'd done it earlier."

Ann believes that her retirement savings plan is a great way to save for retirement. "I don't even miss the money anymore," she says, "though I think it helped that I started off low- very low - and I never put aside more than I could afford. But each year I made a conscious decision to increase my savings. Now I'm close to the plan's maximum contribution level."

The investment options that Ann has selected are somewhat less adventurous than her leisure activities. "I've lived through the last two major market corrections, and the volatility of the market makes me a little nervous," she admits. Therefore, she has chosen a moderate-risk investment mix, and has avoided overweighting her portfolio with higher-risk investments.

Ann encourages others to take the time to calculate their retirement savings needs. "There are so many good tools out there now—books, software, websites—that help make it quick and easy," she says. "And it's important to know if you're on track and make adjustments now if you need to, rather than waiting until it's too late."

Marriage counseling

A husband and wife go to a counselor after 15 years of marriage. The counselor asks them what the problem is. The wife goes into a tirade, listing every problem they have ever had in the 15 years they've been married. She goes on and on and on.

Finally, the counselor gets up, goes around the desk, embraces the woman and kisses her passionately.

The woman shuts up and sits quietly in a daze.

The counselor turns to the husband and says, "That is what your wife needs at least three times a week. Can you do that?"

The husband thinks for a moment and replies, "Well, I can get her here Monday and Wednesday; but Friday, I play golf."