Your Financial Future

Your 401(k)—Staying The Course When The Ride Gets Bumpy

(NAPSA)—Despite the bumpy ride on the stock market, investment professionals strongly point out that 401(k)s remain critical to retirement savings.

Basically, a 401(k) offers a number of significant investment advantages. Here are a few:

• **Company match—**Many companies offer some sort of company match. In one example, if you contribute $100, and your company matches 50 cents per dollar you contribute, you've already gained a 50 percent return. Most experts recommend at least contributing to the maximum level that your company will match, typically between four and six percent of your salary.

• **Pre-tax savings**—The money you save comes off the top of your taxable income (before you pay taxes). Therefore you'll be paying less in taxes to the government today.

With the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001, the pre-tax contribution limits have increased. In 2003, individuals can contribute up to $12,000 of pre-tax salary to their 401(k). For those over 50, the IRS allows an additional "catch-up" contribution of $2,000.

• **Tax-deferral—**The money you invest will grow without paying taxes on your earnings. That means 100 percent of the portion of your earnings you put into your 401(k) is being put to work to grow your nest egg. Over time, this makes a huge difference in your account—especially when you consider that the interest is compounded.

According to Robert L. Francis, president of ING's Worksite Distribution area, whether your retirement is just around the corner or far down the road, it's a good idea to review some of the critical investment basics. Here they are:

Diversify and allocate—Diversification means spreading your investments over different categories, primarily equities, bonds and money-market instruments. Taken further, diversification means spreading your investments over different categories of stocks. Most 401(k)s offer a variety of mutual funds that invest in various types of stock. Investors should diversify the types of funds they hold—large cap companies, small cap companies, international, etc. The mix for a 401(k) is primarily determined by your personal risk tolerance and how near or far you are to retirement.

Most recently, with the Enron collapse, there is a great deal of concern about using too much company stock in 401(k). Company stock in a portfolio is fine, but employees should remember to diversify. In other words, "don't put all your eggs in one basket."

Rebalance—Periodic rebalancing of your portfolio helps keep it in balance with your goals. Those gains you might have enjoyed in one investment may have skewed your entire portfolio so that it is now too aggressive given your time horizon and risk tolerance. Or, investment performance may have made it more conservative than you want it to be, given your long-term goals.

Educate Yourself

"It's always a good idea to take advantage of what your 401(k) provider has to offer in terms of advice," said Francis. "Financial education can come in many forms, ranging from seminars, Web-based tools, telephone support and ongoing retirement plan communication," he added.

For more information about what a 401(k) means in your retirement plan, and information about diversification, visit the ING Web site at www.ing-usa.com.

For More Information—

Go to the retirement planning sections of the following Web sites:

Profit Sharing Council of America
www.401k.org

"I hate financial planning" Web site
www.ihatefinancialplanning.com

ING
www.ing-usa.com

Morningstar
www.morningstar.com