

Understanding Your 401(k) Statement

Glossing over your 401(k) statement is a missed opportunity. To meet your goals and ensure that you don't outlive your savings, you should monitor your account to identify potential gaps, rebalance your portfolio, and adjust your contributions as needed. Get started with this guide to understanding your statement:

Account Balance

Your account balance highlights how much money is in your 401(k) at the start and end of the period, along with contributions from both you and your employer. Your statement also indicates the vested portion of your balance, which is fully owned by you.



Adding up balances from all your retirement accounts helps assess your retirement readiness. **Here's a rule of thumb for how much money you should have set aside for retirement by age:**

Age	30	40	50
Amount	$\frac{1}{2} - 1\frac{1}{2} X$ Your annual income	2 - 3 X Your annual income	5 - 6 X Your annual income

Performance

Your 401(k) statement shows your rate of return for the quarter, year to date, and possibly the past 12 months. If you view your statement online, it will display annualized returns since your initial contribution and allow you to compare your investment performance against peers or benchmarks.



Historically, retirement savers with a balanced portfolio have realized an average annual rate of return between 5% and 8% over the long term, but your actual return can be higher or lower depending on market fluctuations and how your investments are allocated. A financial professional can help you determine the rate of return you may need to reach your retirement goals.

Average Annual Return

5% to 8%

Asset Allocation

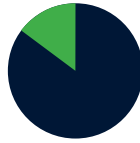
The asset allocation section, often shown as a pie chart, details how your investments are spread across stocks, bonds, and cash, with a stock-heavy portfolio offering higher potential returns but greater risk. Conversely, a bond-heavy portfolio tends to be lower risk with lower returns, which may be more appropriate for those nearing retirement.



Regularly review and rebalance your portfolio to ensure your investments remain aligned with your goals despite market fluctuations.

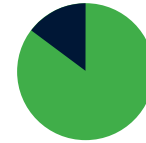
Stock-heavy Portfolio

Higher Potential Returns | Greater Risk



Bond-heavy Portfolio

Lower Potential Returns | Lower Risk



Fees

Many retirement savers are unaware that their 401(k) plan includes administrative fees and expenses, which can impact annual returns and future retirement income. Fees vary based on plan size, number of participants, and whether investments are actively or passively managed, with some charging fees of 2% or more.



This example from the Department of Labor illustrates the effects of higher fees:

An employee with 35 years until retirement and a current 401(k) account balance of \$25,000 who never makes another contribution will have the following amounts by age 65, assuming an annual return of 7%:

Annual Fee	0.5%	1.5%
Account Balance by Age 65	\$227,000	\$163,000

Key takeaway: Their 401(k) will be worth 28% more with the lower fee.

Beneficiary Elections

Review your 401(k) beneficiaries regularly, especially after major life events, as they are legally entitled to your funds upon your death, regardless of any changes in your will.

Make the Most of Your 401(k).

Regularly review and adjust your plan as needed. By actively managing your retirement income strategy, you can retire with more confidence. Reach out to a financial professional to discuss a strategy that works for you.