

Did You Lose a 401(k)? New Resource Will Help You Find It

If you don't participate in a 401(k) plan at work because one isn't offered, why should you read this column? I'll admit I have a prejudiced view. I believe you can help others in your circle of friends and family who may not realize why they should participate.

Let's go through a few basic points together.

For some motivation, consider this: 401(k)s help create millionaires.

Fidelity Investments reported 537,000 401(k) participants with more than \$1 million 401(k) accounts at the end of 2024 (Fidelity's 2024 fourth quarter retirement analysis -- tinyurl.com/mcdfx33k). Overall, there were 24.5 million 401(k) participants in the study.

More motivation: Not saving enough is a common concern.

A 2024 Global Retirement Survey of 724 retirement plan participants by MFS Investment Management, a U.S.-based global investment manager, found that 59% were very or extremely concerned about saving enough money for retirement (tinyurl.com/yc4jb8x6).

And the challenges are real. When asked what, if any, competing financial priorities prevent them from adequately saving for retirement, 31% of the respondents said saving for an emergency, 28% indicated they live paycheck to paycheck and cannot save for retirement, and 19% said they are setting money aside for child education.

401(k)s offer the answer.

There is no better way to save for retirement, especially if the plan offers an employer match. A match compresses the time it takes to double an investment. If it takes roughly 10 years to double an investment with an annual return of

7.2% (rule of 72), what if you could double your investment overnight? Wouldn't that appeal to you?

That's what a 401(k) with a dollar-for-dollar match gives you -- double your investment without the need to wait 10 years. Most 401(k)s do have matches. The dollar amount varies.

Good enough. But what if someone "can't afford" to participate?

Even though a payroll contribution is usually necessary to participate in a 401(k), that does not mean that the dollar amount of your paycheck will necessarily drop.

In your circle of friends, do you know anyone who receives tax refunds? If they don't participate in the 401(k) because they "can't afford to," tell them get some advice on tax management. IRS Form W-4 is the key.

If someone is getting a refund, they are lending money to the federal government. Why do that if you can use that money to pay for your 401(k) contribution? (If you would like more information on how to do that, I'll send you some columns I've written on the subject. Write to readers@juliejason.com.)

Another motivating factor: People need a vehicle to create retirement security for themselves.

When asked in the MFS survey, 48% somewhat or strongly agreed that they could financially support themselves during a 30-year retirement. Also surveyed by MFS were 310 retirees, most of whom (76%) said they somewhat or strongly agreed they could financially support themselves over a 30-year retirement period.

To use a 401(k) effectively, you will want to do some homework to make sure your financial decisions are sound. While 42% in the survey cited a financial adviser or planner as a resource, 39% indicated they used

a plan provider, and 35% cited their employer.

Interestingly, 30% indicated a family member as a resource, and 18% named a friend, peer or co-worker. The latter group provides the basis for the 401(k) Champion[®] Award, which honors those who not only use their 401(k)s wisely to save for retirement but also encourage those around them to do the same. Full disclosure: In my role as an advocate of financial literacy education, I founded and sponsor the award (401kchampion.com), as well as National 401(k) Champion[®] Day, which will be celebrated for the first time on June 15 (tinyurl.com/58e78zjy).

Company retirement plans such as 401(k)s need your attention, even if you aren't working for a company that offers them. Why? It's simple. People you know, your circle of friends and family, are likely participants or eligible to be participants. And you want them to participate -- for their own financial futures.

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