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A monthly savings tip from the American Savings Education Council (ASEC)—October 2013

Making the Most of your Retirement Plan

A growing number of employers are making it easier to join their workplace retirement savings plan with a new "automatic enrollment" feature that allows you to start saving without having to take the time to fill out (or remember to turn in) an enrollment form. But while that's a convenient and easy way to start saving for retirement, it may also be making it easy for you to not save enough.

The Pension Protection Act (PPA) of 2006 provided some basic guidelines for these automatic-enrollment programs: Under those voluntary guidelines, contributions start at 3% of pay, for example, and increase by 1% a year until they reach 6%. Those savings are automatically invested in something called a "qualified default investment alternative," or QDIA (frequently a target-date mutual fund). These can all be good decisions—and you can change them if you want—but they may not allow you to maximize the value of your workplace retirement plan.

Here are some things you can do to make sure you're making the most of your retirement plan:

1. Make sure you are saving to the full level of the employer match—now.

Different companies match your contributions at different levels and at varying amounts. Find out what your plan's match level is, and change your current savings level, if necessary, to take full advantage. Otherwise, you'll just be leaving money on the table.

2. Don't be afraid to increase your contribution rate above the match level.

People sometimes assume that saving to the level of the employer match is the "right" amount to save. However, most organizations determine that level based on criteria that has nothing to do with your retirement needs. Sometimes it's based on what other companies offer, sometimes it's an amount that they believe will be most likely to encourage people to save, sometimes it's what they can afford. Don't let it limit you.

3. Know how your savings are being invested.

If you have been automatically enrolled, your savings are being invested in a "default" investment fund. These days, it's common for that default to be a target-date fund, a fund designed to be allocated appropriately based on your age and/or the number of years until you retire. You may not be an investment expert, but take some time to learn how your savings are being invested—and keep an eye on that investment as it grows. If your plan offers access to the services of a professional advisor, consider taking advantage of that expertise as well.

4. Make sure you *are* saving.

One more thing you should make certain of: that you are saving for retirement. Your employer may not offer automatic enrollment—and many of those who do only extend that option to new hires. Joining a savings plan at work is one of the easiest and most important things you can do to prepare for retirement.

The American Savings Education Council (ASEC), a program of the Employee Benefit Research Institute, is a nonprofit national coalition of public- and private-sector organizations undertaking initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. ASEC's goal is to make saving and planning a vital concern of all Americans. You can find more educational resources at www.choosetosave.org, a website devoted exclusively to financial education.