

Don't Be Afraid to Open the Envelope

Strategies for Dealing With Your 401(k) Statement in Troubled Times

There's no doubt that the 2008 401(k) statements that arrived in the mail in January—and the ones that will come in April—bear some bad news. According to the Employee Benefits Research Institute, account balances dropped by as much as 22% from 2008 to 2009, with the biggest losses reserved for participants with the largest account balances—those over age 55 with more than 20 years of service.

But now is not the time to stick your head in the sand and ignore what happened last year. Instead of tossing your 401(k) statement on a pile of unopened mail, review it to see exactly what happened. Then take one or more of these steps so you can be in control of your 401(k) account during the rest of 2009 and beyond.

1 The most important thing is not to panic.

The markets have always come back. In fact, research from Standard & Poor's shows that in 10 of the last 11 recessions, stocks rebounded before the recession even ended. But **you need to remain fully invested to participate in the market rebound, whenever it happens.**

2 Review your asset allocation.

Chances are, 2008 produced some unusual changes and threw your target allocation out of balance. Now is a good time to **look carefully at your year-end statement to see what needs to be modified to bring things back into balance.**

That way, you have an investment strategy in 2009 that meets your specific goals and objectives.

3 Visit your plan's Web site or call your plan administrator.

Most Web sites have a wealth of information about investment options, historic returns and how to change your allocations. **Or you can call the plan's toll-free hotline to get the same information.**

4 Increase your contributions

The best way to reach your retirement savings goals is to set aside a greater percentage of your salary. With

some employers cutting matching contributions, you can accumulate more in 2009 by putting more money to work on your behalf. This will likely increase your balance at the end of the coming year.

You can contribute a maximum of \$16,500 to an employer-sponsored 401(k) plan in 2009, plus an additional \$5,500 in catch-up contributions if you are age 50 or older. If increasing contributions is tough on your current budget, consider cutting back on extras such as dining out, laundry services or buying a designer brand coffee.