

OK Tell me in Basic English what I need to know about a 401 plan!



In the old days a company provided employees with a pension or retirement plan. The companies controlled these plans and in some cases the plans were mismanaged. The old days were when a person used to work for a company for long periods of time. As the workplace has changed, people change employers more frequently than they used to.

Legislation was passed to provide employees with a retirement account where the employee controlled the money rather than the employer and the employee could take the account with them if they went to another employer.

When you establish a 401 account you have Cardinal take out a % (determined by you) of your weekly pay and it is deposited into your 401k account. Ok, that's the easy part. Now let's talk about what happens to that money.

When this money is deposited into your account, rather than just let it sit there you have the option of directing that money into an investment vehicle. There are a number of mutual funds (provided by Fidelity) that you can direct all or portions of your 401k money into. A mutual fund is a combination of a number of stocks, so rather than investing in one stock, you invest in a number of stocks in a particular mutual fund. This is done because most folks (including me!) don't have the time or experience to know enough about individual stocks to make good decisions.



Basically, 401k investments are meant to be long term so they outlast the stock market cyclical ups and downs. Everyone should begin contributing to their 401k account (even if it's a small percentage of your pay) because the most beneficial element of any investment is time. Your money works for you!

The basic premise of a 401k strategy is that if you're young you can take more risks on mutual funds that are riskier than some others. As you work through your career toward retirement, you want to make adjustments in your mutual fund selections that have smaller amounts of risk. You've heard of a "balanced" portfolio? It's the balance of risk and age that they're talking about.

As a member of Cardinal's 401k program you can be provided with a financial adviser from Fidelity investments that can help you determine what mix of funds would be best for you.

Don't think that your financial retirement is going to be handled by anyone other than you. Also, don't make the mistake of relying on social security to see you through as in most cases, social security will only provide a fraction of what you'll need in retirement to maintain your current lifestyle.

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