RETIREMENT 101, PART 5: THE IMPORTANCE OF KEEPING YOUR 401(K) INVESTED

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In this installment of our Retirement 101 blog series, we'll discuss why it's so important to keep your 401(k) invested. Your 401(k) or other type of retirement plan generally offers the benefit of tax deferral—meaning you don't pay taxes on this income or the growth you achieve until you withdraw the assets. While there may be events that cause you to consider liquidating your retirement fund, this can be extremely destructive to your plan, so prudence is advised. • First of all, you will have to pay taxes on all the contributions you made • You will likely have to pay a penaltys for early withdrawal • You will lose investment momentum and the benefits of compounding—and more Additionally, before you consider cashing out your retirement plan, remember that you can borrow money for college, a home and other items, but not for your retirement. We understand, however, that your life—and needs—may change over time, so here are a few strategies that may help you stay invested, so you can keep your money working for you for the long term. **Changing jobs** While you can likely keep your money invested in your current 401(k), this may not always be the best idea. Depending on the size of the plan, former employees may not be able to benefit from all the features of the plan, including changing allocations, taking out loans or many other options. Rolling your investment into your new 401(k) or an Individual Retirement Account (IRA) can provide you with many additional benefits. You may receive new investment options (perhaps ones you've never had before), you can continue to contribute to the plan, you can see all your retirement assets in one place—and more. If you are changing jobs, talk to your human resources department about rolling over your assets, to help ensure it is done in a timely and accurate manner. **Needing access to your assets** There are many reasons you may consider liquidating your retirement plan, but this is almost never a good idea if it can be avoided. Even if you are thinking about paying off debt, consider that any interest you may be paying on it is likely not as much as the taxes and penalties you may incur if you cash out your retirement assets. One important thing to remember about 401(k) plans is that they typically offer the option to take a loan of up to 50% of your account balance. If you need liquid funds, this may be a smart move, as you pay yourself back, interest and all, over time. Retirement plans are long-term vehicles, and they work best as such. On the path to your retirement goals, it is critically important to remain invested. For more information on 401(k) plans, ETFs or other investment topics, please visit www.wisdomtree.com. In future installments, we'll discuss how to determine how much you need to retire—and much more. *Read our 401(k) series here.*

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