

# Keep Contributing to Your 401(k) — in All Markets

If you have a 401(k) plan, you've got a very good retirement-savings vehicle that's probably had a rough year. However, while you might have been tempted to toss your statements without looking at them, you don't want to throw away the opportunity to continue contributing to your 401(k) — and now you can contribute even more.

To be specific, the contribution limit for 401(k) plans will increase from \$15,500 in 2008 to \$16,500 in 2009. And if you're 50 or older, you can put in an extra \$5,500 in 2009, up from \$5,000 in 2008. (Your 401(k) plan may also allow Roth contributions, which are made with after-tax dollars, although withdrawals, including earnings, are tax-free in retirement.)

Of course, higher contribution limits won't mean much to you if you're questioning whether you should put *anything* into your plan, given the results of the past year. How can you reassure yourself that you're making the right move by continuing to fund your 401(k) or other employer-sponsored retirement plan, such as a 403(b) or 457(b)?

Here are a few suggestions:

- *Know your risk tolerance.* If big losses in your 401(k) are causing you to lose sleep, you may be taking on too much risk for your investment personality. If that's the case, you may need to rebalance your 401(k) portfolio so that you have a higher percentage of more conservative investments. Keep in mind, though, that your 401(k) is designed to build resources for retirement, so you will likely need some growth potential.

- *Don't overload on company stock.* If a downturn hurts your company, and you have a big percentage of company stock in your plan, your account will take a big hit. Diversify your holdings among the various investments available

in your plan. While diversification cannot guarantee a profit or protect against a loss, it can help reduce some of the effects of market volatility.

- *Adjust your investment mix over time.* You need to periodically evaluate and adjust the investment mix in your 401(k). When you're starting out in your career, you can afford to invest more aggressively, because you have decades in which the market can overcome short-term downturns, no matter how severe. As you move closer to retirement, you may want to scale back the aggressive-growth portion of your portfolio and create an investment mix that might be less susceptible to big market drops.

Above all, don't lose faith in the power of your 401(k) to help you save for retirement — in good and bad markets. As a retirement account, a 401(k) offers several key advantages. First, you typically make pre-tax contributions, so the more you put in, the lower your taxable income. Also, your earnings can grow on a tax-deferred basis, unless you are making Roth contributions, which are withdrawn tax-free. Furthermore, you can choose from an array of investments, so you can create a portfolio that fits your risk tolerance, time horizon and individual objectives. Finally, your employer may offer a matching contribution; if you don't accept it, you are literally walking away from "free money."

It can certainly be upsetting to see declines in your 401(k) statements. But if you stopped participating in your 401(k), you'd have a much harder time reaching your retirement goals. So keep contributing, even in down markets. Someday, you may be glad you did.

*This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.*