I Didn't Know That!

Your retirement plan is a valuable benefit that allows you to save for your future in a convenient way. But you probably knew that already. Here's a short quiz about some important plan features you may not know about.

Q. Do you know what an SPD is?

A. SPD stands for Summary Plan Description. It is a plain-language description of your rights, benefits, and responsibilities under the plan. SPDs must be provided to all participants and beneficiaries shortly after their coverage under the plan begins (within 90 days). If the terms of your plan change significantly, you should receive an SMM (Summary of Material Modifications), also written in plain language, explaining the changes.

Q. Do you know your limit?

A. The federal tax law limits the amount of annual pay employees may contribute to tax-deferred retirement plans. The IRS periodically adjusts the dollar limits for inflation. However, your plan may set a different limit — lower but not higher. The tax law also permits individuals who are age 50 or older to make "catch-up" contributions (within an annual limit). Your plan may or may not allow them. Check your SPD to find out what types of contributions your plan allows and what the limits are.

Q. Do you know if contributions to your account are vested?

A. To answer this question, you must know what being vested means. Essentially, being vested means that you "own" the money in your account. You are always 100% vested in the contributions you make to your account and any related investment earnings.

If your employer also contributes to your account, the plan may have a vesting schedule that spells out how long you have to work for your employer before you become entitled to those benefits. If you terminate employment before you are 100% vested, you forfeit all or part of that benefit. You can find your plan's vesting schedule in your SPD.

Q. Do you know when you can take money out of your plan?

A. You probably have various options for taking money out of your plan. Some plans allow participants to borrow money from their accounts and then repay their loans, plus interest. Some plans allow hardship withdrawals. These are limited to participants who have an immediate and serious financial need.

When you leave your employer, you may be eligible for a distribution. Depending on your age and how you take the distribution, you may have to pay income tax on the distribution and possibly a 10% penalty. If you still have savings in your plan when you reach age 70½, you'll have to begin taking annual minimum distributions, unless you are still employed by the plan sponsor and the plan allows you to defer distributions until you retire.

A word of caution: Taking money out of your plan *before* you retire may be hazardous to your future financial health. If at all possible, avoid plan loans and hardship withdrawals. If you change jobs, consider preserving your savings by keeping them in the plan (if allowed) or by rolling the money over to another tax-deferred account.

To Learn More . . .

Your plan's SPD provides important information about all aspects of your plan. Keep your copy handy so you can refer to it. To make the most of your plan, you'll also want to take advantage of any other educational resources available to you. If you can't find the answer to a question or you have concerns, contact your plan administrator.