Three Things You May Not Know About Your Retirement Plan

Many plan participants may not fully understand all the advantages their employer-provided retirement plan provides. Here are three aspects of a retirement plan that may surprise you.

1. By law, the assets of a retirement plan are held in a trust (or invested in an insurance contract), separate and apart from the assets of the employer sponsoring the plan. Plan assets must be used solely to benefit plan participants and beneficiaries.

2. Your retirement plan assets are portable so that if you change jobs, you won't have to start over. You may have several options for your retirement savings, such as keeping the money in your current plan, moving your savings to another employer's retirement plan or an individual retirement account, or cashing out your plan assets.

3. You can change beneficiaries. If there's a major change in your life, you have the flexibility to add or subtract an individual or individuals from the list of beneficiaries who would receive the assets in your retirement account upon your death.

Employer-provided retirement plans also offer tax benefits, professional investment management, and an automatic payroll contribution feature, all of which can simplify and streamline saving for retirement.

How America Views Retirement Plans

U.S. households hold generally favorable impressions of 401(k) and similar "defined contribution" retirement plans. Among surveyed households with defined contribution plan accounts or individual retirement accounts:

91% agreed that their plans helped them think about the long term, not just their current needs
82% said the tax treatment of their retirement plans was a big incentive to contribute
86% had favorable opinions of their plans
83% were satisfied with their plan's investment options

This table is based on data compiled from American Views on Defined Contribution Plan Saving, 2017, Investment Company Institute, February 2018.