Help Is on the Way for 401 (k) Investors

by bendweekly

(NewsUSA)- More employers are educating workers on 401(k) plans - from the benefits of tax-deferred growth to the importance of consistent saving. However, research shows that employees are still in the dark when it comes to investing their assets.

According to a recent study by human resources firm Hewitt Associates, most employees didn't rebalance or re-allocate their 401(k) portfolios in 2004. Only one in six actually made a transfer within their 401(k) accounts that year.

The study, which examined more than 2.5 million employees eligible for 401(k) plans, also found that many participants were taking on too much risk by investing a significant portion of their savings in a single stock. Company stock was the single largest holding, accounting for approximately 27 percent of participants' total 401(k) balances. And more than a quarter of employees held half or more of their total 401(k) balances in their employer's stock.

While some employees took on too much risk by investing heavily in company stock, other employees didn't invest aggressively enough. The study found that workers in their 20s invested less in equities than workers in their 30s.

Now there's help for investors who don't have either the time or the expertise to manage their own 401(k) investments. Defined contribution plan providers such as AIG VALIC, Fidelity Investments, Great-West Retirement Services, Merrill Lynch, the Principal Financial Group and TIAA-CREF have partnered with Chicago-based Ibbotson Associates to manage participants' accounts.

Eligible participants who elect the service will have their money allocated to a customized portfolio that is rebalanced regularly and adjusted over time to reflect the investor's changing life circumstances.

"401(k)s are becoming the primary savings vehicle for retirement in this country," says Roger Ibbotson, chairman and founder of Ibbotson Associates and finance professor at the Yale School of Management. "With so much riding on your 401(k) account, it's very important to get professional, unbiased advice."