**What to Ask About Your Retirement**

April 23, 2013 by: Sarah Childress

So you’re concerned about your financial future and ready to do something about it. But where do you start? We asked three experts what questions they would ask their employers, financial planners, plan providers and themselves to help save the most for retirement. Here’s what they had to say:

Jason Zweig is a personal finance columnist for The Wall Street Journal and the author of the book, Your Money and Your Brain.

Ron Lieber is the author of the “Your Money” column for The New York Times.

Helaine Olen is the author of Pound Foolish: Exposing the Dark Side of the Personal Finance Industry.

**General Planning**

Am I saving as much as possible?

Virtually everyone should save up to the maximum available ($17,500 or, generally, 15% of eligible pay). If you feel you can’t save the maximum right away, sign up for an “automatic escalation plan” to raise your contributions down the road. And once you turn 50, be sure to save an additional $5,500 in “catch-up contributions” annually. -Jason Zweig

How much do I really need to save?

Studies show that most of us think the correct amount we need to save for retirement is whatever amount from our salary our employer automatically defaults into a defined contribution plan. This is highly unlikely to be true, unless you have the rare employer who has set the employee default at 10 percent or higher. Find out what the amount is, and supplement if you think you can afford to do so. -Helaine Olen

Are cheaper choices available?

Before you invest in any retirement fund, make sure one of the other choices on the menu isn’t cheaper. When it comes to investing, you don’t get what you pay for: The higher a fund’s fees, the worse its return is likely to be over time. -Zweig

How do you know that?

Often, the people giving advice about retirement investing seem highly confident about what they’re saying even though they have no evidence that it’s true. This simple question can help you separate the experts from the pretenders. -Zweig

**On Target-Date Funds**

What is in a target-date fund?

Many 401(k) plans favor so-called “target-date funds,” which combine stock, bond and other funds into a single bucket. Some of these funds contain risky, obscure, expensive assets. If you can’t understand the fund or no one can explain it to you, put your 401(k) savings into a different fund or funds. -Zweig

Is a target-date fund for me?

First, target date funds operate by assuming you don’t have outside investments. If you have a sizable portfolio outside your employer’s 401(k) account, a target-date fund might not be the right choice for you. Second, fees on this type of investment can be quite high, often because the companies offering them simply stuff them with their own funds. Third, a target is just a target. It’s not a guarantee. -Olen

Which target-date fund should I choose?

The asset allocation for your age may not reflect your tolerance for risk. So just because you’re 25 years from retirement doesn’t mean you should pick the 2035 or 2040 fund. You may want the 2020 fund if you’re more conservative, or the 2050 fund if you want more stock exposure. And different fund families have different philosophies on what a 40-year-old should be invested in. So you need to check under the hood carefully if you’re going to put all of your money in one of these funds. -Ron Lieber

**On 401(k)s**

Is my 401(k) investment safe?

There is a lot of conspiracy theory talk out there right now that the government plans to – at some distant point in the future – confiscate 401(k) savings to plug holes in the federal deficit. This is absolute hooey. Don’t let this stuff scare you out of placing money in your 401(k). -Olen

I’m leaving my job. What should I do with my 401(k)?

As high as the fees can be on funds inside a 401(k), they can be worse for Individual Retirement Accounts. Don’t assume you will be getting the best advice from those offering advice via your company’s plan administrator. A recent Government Accountability Office study discovered that all-too-many advice givers for the plans pushed exiting employees into their own proprietary financial products, instead of counseling them to either leave the money in place or roll it over to their new employer’s retirement plan. -Olen

**The Fine Print**

How much does my plan cost?

What kills returns the most is plans with very high fees. Unfortunately, the vast majority of participants have no idea how high their fees are in comparison to other similar plans. If you work for a relatively big organization, you can look up your plan on Brightscope.com and see how it rates on fees.

If you work for a smaller company or a non-profit, you should assume that your fees are very high, especially if an insurance company or payroll services provider (or anyone other than Fidelity, Schwab, Vanguard or T. Rowe Price) is administering your 401(k) or 403(b) plan. Try to figure out who at your employer controls the plan and engage them in discussion about lowering the fees. Remember, this person is not your enemy — they are saving in the plan too, and want better performance for themselves. But this person may not be an expert. In fact, this person may know less than you about how this all works. -Lieber

Am I diversified?

Don’t invest in your own company’s stock. You’re taking enough risk on its future just by working there. Make sure you always spread your money across U.S. and international stocks, small and large, with some bonds for ballast. Don’t put all your eggs in one basket. -Zweig

Is there a full collection of low-cost index funds?

Many mutual funds are very expensive, often because the managers are trying to beat the market index in whatever category the investments are in. Most research suggests that people are better off in index funds, in part because the fees are always so much lower.

Your retirement plan administrator may resist the move to an all-index retirement plan because mutual fund companies often help pay for your employer’s administrative costs of running your plan by refunding some of the fees on those actively managed funds. But in the very least, you should have a full menu of index funds in every major investment category. You should also have the option of investing in target-date funds that are made up entirely of index funds. -Lieber

Will you auto-escalate me each year?

You should have the option of opting yourself into better behavior, that is, boosting the percentage of your salary that you save in your retirement plan. Ideally, you’d increase your savings by one percentage point (not 1 percent, an important difference!) each time you get a raise. Most the 401(k) companies now offer auto-escalation to the employer, but your company needs to choose to offer it as an option to employees. -Lieber

Will you automatically rebalance me?

You should also have the option of setting an ideal allocation of your investments (70 percent in one fund, 30 percent in the other, say) and then having the plan automatically rebalance it when it gets more than five percentage points out of whack in any one direction. That way, you don’t have to remember to do it yourself. Many plans do not yet offer this as an option. But they should. Ask for it. -Lieber

Should I attend that retirement seminar?

Whatever you do in this life, please do not say yes to offers of a free meal in return for hearing financial information. The vast majority of these seminars are designed to appeal to seniors by referencing such hot button issues as Social Security or retirement insecurity. The financial sales people hosting the event then offer as a “solution” whatever product they are pitching. The best way to not fall for it is not to show up. -Olen