



Top 5 Retirement Plan Mistakes to Avoid

Most participants want to do the right thing, but many unknowingly make choices that set them back. The good news is that with awareness these mistakes can be avoided. This guide highlights five of the most common mistakes and explains why they matter.

Important: This guide is for educational purposes only. It is not investment, tax, or legal advice. Please consult a licensed professional for personalized guidance.

Mistake 1: Not Contributing Enough to Get the Employer Match

- **Why it matters:** Failing to contribute enough to earn the full employer match is like leaving free money behind.
- **Example:** If your salary is \$50,000 and you contribute 5% (\$2,500 per year), and your employer matches 50%, they add \$1,250. Over time, those contributions and matches can grow significantly.

Mistake 2: Not Updating Beneficiaries

- **Why it matters:** Life changes — marriage, divorce, or the birth of a child — often require updating your beneficiary designations.
- **Risk:** If you don't make updates, your account could go to someone you did not intend. Beneficiary designations override wills, so keeping them current is essential.



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Mistake 3: Cashing Out Early

- **Why it matters:** Taking money out before age 59½ usually means paying taxes and penalties.
- **Example:** A \$10,000 withdrawal could trigger both ordinary income tax and an early withdrawal penalty. Beyond the penalty, the money no longer has the opportunity to grow for decades.

Mistake 4: Ignoring Fees

- **Why it matters:**

Even small fees add up over time. For example, a difference of 1% in fees can mean tens of thousands of dollars less in retirement savings over a career.

- **Tip:**

Review your plan's fee disclosures to understand what you're paying. It's not about avoiding fees completely, but about knowing their effect on long-term growth.

Mistake 5: Not Increasing Contributions Over Time

- **Why it matters:**

Many participants keep their contributions the same for years, even as their salary increases.

- **Tip:**

A simple approach is to raise your contribution by 1% each year or whenever you receive a raise. These small, steady increases can add up to a big difference in retirement readiness.

Other Common Mistakes

In addition to the top five, participants may also:

- Overlook plan statements and miss important updates.
- Fail to use automatic features like auto-escalation or rebalancing.
- Forget to review investment allocations as their career progresses.

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