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The Smart Way to Review and Improve Your Retirement Holdings

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A May report by human resources consultant Hewitt Associates showed that the average U.S. employee will need more than 15 times their final pay in retirement resources (including personal retirement savings, employer-based retirement savings and Social Security) to maintain their current standard of living during retirement. Unfortunately, Hewitt found that four out of five workers are still expected to fall short of meeting all their financial needs in retirement unless they take immediate action to improve their savings habits or retire at a later age.

Everyone should set a quarterly review of their holdings in 401(k) plans and other resources because that's typically when statements come out. But knowing their performance information isn't enough.

Most people don't take a comprehensive view of their retirement picture—they might check their individual IRA statements and check on how their employer-based pension accounts are doing but to make sure your personal and work-related retirement engine is really chugging along, good advice is key.

That's why it might be wise for investors to get a fresh start with retirement advice this fall. It doesn't matter if you believe your investments are falling behind or if you've never started - make time to consult with financial planning professionals to make sure your personal and work-related retirement savings complement each other.

Things you should do:

Check your allocations first: While you don't want to make severe moves (many people are tempted to do so after a major market downturn and most end up missing the benefits of a recovery), you do want to know whether your asset allocation fits your age and retirement goals. Also, if a major life event occurs – divorce or widowhood, starting a family – that's another important reason to re-evaluate your retirement numbers. As we age, we generally need to put less money in volatile investments like stocks and more in conservative investments with guaranteed returns like Treasuries, bonds or CDs. If you're behind on your retirement goals, you will probably have to take on a bit more risk, but it's best to do so with proper supervision. After all, no one wants to be left out of the market upswing when they have catching-up to do. But they certainly don't want to be overexposed in volatile investments when the market heads down – that's the lesson most people learned in 2008.

Save even if your company has cut or discontinued matching: Matching is one of the greatest things about working for an employer. Unfortunately, many employers retracted the benefit during the recession. Even if your company doesn't bring back matching, you've got to try and pick up the slack. You will still realize the benefit of pre-tax contributions made to your traditional 401(k). And, when you have money automatically taken from your paycheck you are "dollar cost averaging". That means the fixed dollar amount that comes from your paycheck buys more shares when prices are low, and fewer when prices are high. Thus, your average cost share is lower than the average price per share.

If your employer doesn't enroll you, make sure you do it: According to the Profit Sharing/401(k) council of America's 2009 statistics, nearly 40 percent of U.S. employers automatically enroll workers in their 401(k) plans. Nearly 83 percent of the U.S. employees have some money in those plans. If you're not in either camp, you need to join, even if your company doesn't match – the tax advantages are too attractive.

Continue to save while you wait to join a plan: A significant number of companies don't let you join the 401(k) until you've been working there a year. If that's the case, get in the habit of putting money away for retirement anyway. Start and individual IRA with the funds you would put in the company plan, or set aside money in a savings account so you can supplement your cash flow and put the maximum amount into your 401(k) once you're allowed to join.

Contribute the maximum: Not every employee can afford to contribute the maximum allowed by the plan, but try. In 2010, the maximum 401(k) contribution will be $16,500 and those 50 and older can make an additional catch-up contribution of $5,500.

Don't rely on 401(k) alone: Particularly if matching lags for awhile, 401(k) plans can't be relied upon as a single source of retirement dollars. You must invest outside your company plans.

Don't' over-invest in company stock: Most financial planners advise that you put no more than 15 to 20 percent of your whole 401(k) portfolio in company stock.

Don't borrow from the 401(k): A 401(k) shouldn't be a house fund or a source of emergency cash. You're taking money out of the account that otherwise would grow fax-deferred, and if you fail to pay back the money, you could face income taxes and penalties. Instead, build an outside emergency fund of three to six months of living expenses your can draw from.

Don't' cash out: Some workers think it's a great idea to treat a 401(k) as a windfall for when they quit a job. Don't do it. You'll pay huge penalties and lose your retirement savings momentum.

Keep track of 401(k) accounts left behind at former employers: Maybe you've changed jobs several times and never got around to moving older, smaller 401(k) accounts from past employers to current ones or into a self-directed retirement account. Always get advice about 401(k) funds when you leave an employer.

Always re-evaluate if the company radically changes your retirement offerings: Big changes in funds and options require scrutiny. And with recent regulatory changes, governing fees and other once invisible charges that ended up coming out of investors' pockets, it's worth having a talk with your financial planner and maybe your HR department.