A Decision Not Made is Still a Decision

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Investment inaction is played out in many ways, often silently, invisibly, and with potential consequence to an individual's future financial security. Indecision can lead to no decision.

Let's review some of the forms this takes.

Your workplace retirement plan. The worst non-decision is the failure to enroll. Not only do non-participants sacrifice one of the best ways to save for their eventual retirement, but they also forfeit the money from any matching contributions their employer may offer. Not participating may be one of the most costly non-decisions one can make.

The other way individuals let indecision get the best of them is by not selecting the investments for the contributions they make to the workplace retirement plan. When a participant fails to make an investment selection, the plan may have provisions for automatically investing that money. And that investment selection may not be consistent with the individual's time horizon, risk tolerance, and goals.

Distributions from workplace retirement plans and most other employer-sponsored retirement plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10 percent federal income tax penalty. Generally, once you reach age 70½, you must begin taking required minimum distributions. The 10 percent early withdrawal penalty may be avoided in the event of death or disability.[1]

Non-retirement plan investments. For homeowners, "stuff" just seems to accumulate over time. The same may be true for investors. Some buy investments based on articles they have read or on a recommendation from a family member. Others may have investments held in a previous employer's workplace retirement plan.

Over time, they can end up with a collection of investments that may have no connection to their investment objectives. Because the markets are dynamic, an investment that may have made good sense yesterday might no longer make sense today.

By periodically reviewing what they own, investors can determine whether their portfolio reflects their current investment objectives. If they find discrepancies, they are able to make changes that could positively affect their financial future.

Whatever your situation, your retirement investments require careful attention and benefit from deliberate, thoughtful decision making. Your retired self will one day be grateful that you invested the necessary time to make wise decisions today.

Citations.

1 -https://theweek.com/articles/818267/good-bad-401k-rollovers [1/17/18]