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*****The Shoulds and Shouldn't of Investing in your 401k*****

You should start contributing early and regularly, this will maximize the amount of your tax-deferred savings. Each dollar committed to your 401k is deducted from that year's taxable income amount, lowering the yearly total you pay income tax on. The money is taxed at time of withdrawal. The benefit being you may be in a lower tax bracket at withdrawal time and therefore pay less tax on the amount.

You should read your plan materials. Become familiar with how much can be contributed, the fully vested time period, and the company's matching policy. Additionally, study the offered fund's prospectus.

You should contribute the maximum allowed. A good guideline is 10% of your income. In lieu of, at a bare minimum give the amount to receive your company's matching benefit. More may be needed for older workers (depending on accumulated amount), or for early retirement. There are maximum deferral limits with additional catch-up contributions for those 50 and older.

You should be investing for the long term. Employers typically offer a range of investment fund options, which are professionally managed and diversified. Generally speaking, the longer your time projection, the more you should invest in stock funds. Due to, historically, over the long term, stocks have outperformed bonds and money market funds.

You should do an annual review of your portfolio. Rebalancing your 401k yearly helps ensure that you maintain a mix consistent with your goals. If you decided to keep 50% in stock funds, a poor market may erode your assets, and put your saving goals off track. By redistributing your portfolio investments, you may be able to divert some of this erosion.

You shouldn't buy too much company stock. Even if you are confident in your company, it's not a good idea to have both your employment income and retirement funds dependent on the fate of one company.

You shouldn't borrow from your retirement fund unless it is absolutely necessary. Many 401k plans allow you to borrow up to half of your vested amount, with a \$50,000 limit, but at prime rate plus 1 or 2 percentage points. Additionally, should you quit or lose your job before the loan is paid off, the outstanding balance is due immediately. If you cannot pay it back, the outstanding loan will be taxed at your marginal tax rate. Also, individuals under age 59 ½ will face a 10 percent early withdrawal penalty on the loan amount.

You shouldn't cash out when you job changes, you have other options: If the 401k balance is \$5,000 or more, you may be able to leave your money in the former employer's plan. Or, the money can be rolled over into your new employer's plan. When the 401k is transferred directly between plans, having taxes withheld can be avoided.