

Pay Dirt: Vanishing Benefits

There's news of another company eliminating its 401(k) match almost daily. That doesn't mean employees should stop making their own contributions.

By [KARA McGUIRE](#), Star Tribune



Saving for retirement these days can feel like throwing money down a hole. The average workplace retirement account balance fell 27 percent in 2008, according to research from Fidelity Investments.

Now, at a time when our accounts could use a boost, more companies are stopping their 401(k) matching contributions as a way to hoard cash and reduce expenses in this economic downturn. In recent weeks, several large companies including Macy's, UPS, Sprint Nextel and Starbucks have stopped contributing to their workers' 401(k) plans.

Locally, North Memorial, ShopNBC and this newspaper have dumped their ongoing 401(k) matches in response to the recession.

Eliminating a match is "far more widespread than it was in the 2002-2003" recession, Rick Meigs, president of [401khelpcenter.com](#), said in an e-mail. "It's an easy way to cut 2 to 3 percent of payroll cost without having to let anyone go."

It could be worse

In general, there is little backlash from employees when a match goes away, Meigs said. While employees love their matches, they love their health benefits, their vacations and their steady paychecks more.

But don't let the prospect of losing your match keep you up at night. A Watson Wyatt survey conducted in December found that 10 percent of employers have cut, or plan to cut, the perk. The survey found it's far more likely that you'll lose your job, with 23 percent of companies surveyed expecting to lay off workers in 2009.

Wondering about the likelihood that your match will be axed? Consider if you work in a troubled industry, said Dan Esch, managing director of Defined Contribution Advisors in Eden Prairie. He's seeing a lot of cuts in the manufacturing industry. Matthew Slyter, a vice president with TSC, an Edina-based company with more than 1,500 retirement plan clients, expects a lot of construction, real estate, restaurants and retailing companies to ditch the matches as well.

Luckily, the growing list of companies that have suspended matches doesn't include Minnesota heavy hitters that have resorted to job cuts in recent weeks such as Best Buy Co. inc. and Target Corp. Both are members of Financially Fit Minnesota, a nearly year-old group of 27 companies committed to increasing retirement savings among employees.

"During the worst financial crisis most people have ever experienced, Financially Fit Minnesota employers continue to view investing in their employees as being very important," Barb Iverson, president of financial services for public relations firm Weber Shandwick -- a member of the initiative -- said in a prepared statement.

Some members are even increasing their retirement benefits. Insurance firm the Travelers Companies, for example, offered a one-time supplemental 401(k) contribution of as much as \$500 to all workers earning \$60,000 or less last year, on top of the standard 5 percent match.

Don't give up

After losing a match, it may be tempting to stop saving in the plan altogether. But that's exactly what you shouldn't do. Match or no match, defined contribution plans are "still a critical component of helping [workers] achieve that dignified retirement that they want," said Greg Mortenson, a financial planner with AdvisorNet in Minneapolis.

If anything, losing your match requires kicking in more money to your plan. Figure out if you're on track for retirement without the match funds. If you come up short, consider opening a Roth IRA if you qualify. A Roth is a retirement account you open outside of work at a bank or mutual fund company, and fund with after-tax money. It offers more investment choices and flexibility than a 401(k), but has a lower contribution limit (\$5,000 compared with \$16,500 for a 401(k); workers 50 or older can contribute more to each plan).

Keep in mind that stopping your 401(k) contributions will also increase your taxable income, just one of many reasons to max out a Roth and stick with your 401(k) if you can swing it. Lost your match? Tell Kara McGuire • 612-673-7293 or kmcguire@startribune.com