00:00:09:27 - 00:00:47:09

Speaker 1

Welcome, my name is Andrew Baron and this is, Well… It Depends! The podcasts where I address financial decisions that can't be answered with a simple yes or no. In this episode, I asked the question, Should I invest outside of my employer plan? But before we began a short disclaimer. This is being recorded on October 30th, 2023. The contents of this podcast are strictly for informational purposes only, and nothing such should be taken as an investment tax or legal advice.

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Speaker 1

It's important to consult with a professional before making any financial decisions as to strategies discussed may not be suitable for you specifically,

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Speaker 1

Getting into it. Should I invest outside of my employer plan? Well… It Depends! Perhaps you've been contributing to your 401K or equivalent employer sponsored retirement plan. However, there comes a point in many investor’s lives when they start to wonder what else they should be considering.

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Speaker 1

Like all the topics we do on this podcast, the answer isn't straight forward.

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Speaker 1

First, let's consider why venturing outside of employer plans might be a wise decision. For starters, employer sponsored retirement plans tend to have limited investment options. By looking into outside plans, you access a wider range of investment options, which allows you to tailor your investment choices to meet your individual needs and risk tolerance.

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Speaker 1

Now let's talk about liquidity. Money and employer sponsored plans, typically inaccessible before reaching a certain age without penalty. Therefore, it may be a wise decision to have investments outside of your retirement plan to provide flexibility if you suddenly need cash.

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Speaker 1

Employer plans also have their benefit, such as matching contributions. Many employers offer to match the contributions that you make towards your retirement plan up to a certain percentage of your salary. This is essentially bonus compensation that gets put directly towards your retirement savings.

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Speaker 1

And then we also have automatic investing. Another feature of employer plans is the convenience of deducting your contributions directly from your paycheck. This helps streamline the investment process and helps make sure that you have a disciplined approach to retirement saving.

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Speaker 1

To recap, employer plans tend to have limited investment options, and you might be better suited looking at the outside for more investment choices. Additionally, you should understand that for the most part, employer plans tend to be inaccessible before reaching retirement age, and it might be better for the flexibility that you need to pursue outside accounts. However, it's also important to take advantage of any employer matching as it’s essentially free money that you're leaving on the table.

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Speaker 1

Additionally, it's also important to consider the convenience that comes from having your retirement contributions taken automatically from your paycheck. So to answer the question, should I invest outside of my employer plan? Well… It Depends!

Speaker 1: Andrew Baron, CFP®, EA