



New Risk to Your 401(k): Firms Cut Matching Funds

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As if your 401(k) hasn't already been through enough, there may be more trouble brewing: A number of companies ranging from automakers to real estate brokers have suspended or reduced 401(k) matches to their employee's retirement accounts.

"These are companies that are under a lot of pressure and have to cut costs," says Alicia Munnell, director of the Center for Retirement Research at Boston College.

The number of companies that have halted their matches is still small, but is expected to pick up next year.

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"We have seen more companies reducing their matches," says Steve Dimitriou, a managing partner at Mayflower Advisors in Boston, "but I wouldn't say it's a widespread trend."

A survey of 248 employers, conducted by consulting firm Watson Wyatt, found that 2 percent of employers have already reduced their 401(k) match and 4 percent say they would reduce their match in the next 12 months.

Although cutting contributions may not be a widespread phenomenon, the companies that have made the cuts this year are large ones with thousands of employees.

Some of the companies that have suspended their 401(k) match are automakers **General Motors** and **Ford**, **Frontier Airlines**, car rental company **Dollar Thrifty Automotive Group**, commercial real estate giant **Cushman & Wakefield** and Las Vegas hotel and casino operator **Station Casinos**.

Others have reduced contributions. Newspaper publisher **Lee Enterprises** lowered its from a dollar for every dollar the employee contributes, to half that. **A.H. Belo**, another newspaper publishing company, is continuing its match, however it is discontinuing a 2 percent profit-sharing contribution.

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Dimitriou from Mayflower Advisors, which manages 401(k) accounts for about 50 midsize to large companies around the country, says that two of his clients have inquired about cutting back on their employee's plans. He expects one of them to cut its match next year.

Robyn Credico, the national director of defined contribution at Watson Wyatt, a company that advises employers on how run their employee's 401(k) plans, says a couple of clients have inquired about a cutback.

It's not the first time companies have cut their contributions during hard times. During the last recession and its after shock (2001-2003), over a dozen companies stopped matching their employee's 401(k) contributions, including **Goodyear Tire and Rubber**, **DaimlerChrysler** and **Textron**, according to the Center for Retirement Research at Boston College. All the companies eventually reinstated their company's match.

The same is expected now. Every company that has cut 401(k) spending this year had said it was only be a temporary measure to cut costs until economic conditions improve. Companies that cut back will need to recruit new employees eventually, and they'll need to offer a 401(k) company match to do that, says Tom Ruggie, president of Ruggie Wealth Management.

"They ultimately need to rehire people again, and those people are going to be looking for good benefits," he

said.

What to Do

If your employer takes away its match funding, experts say you should still continue to contribute to your 401(k) plan.

"We encourage people, as much as they can, to keep contributing," says Alyce Zollman a financial consultant at Charles Schwab. "For the majority of people it's their main retirement vehicle."

However, those that have credit card debt or don't have an emergency fund, could afford to reroute some of the money that would go to your 401(k) to pay off debts and beef up that emergency fund, Zollman says.

When that's done, however, you should resume contributions at the original pace. Even without an employer match, Zollman says the tax deferred growth you'll get from the plan and the fact that you're using pre-tax dollars "are benefits that are still worth it at the end."

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