

# SIX COMMON MONEY MISTAKES

## AT&T EMPLOYEES MAKE WITH THEIR RETIREMENT SAVINGS PLAN

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Is the American Financial dream out of reach? At Frame Wealth Partners we believe it is well within reach, but it's all about getting the right picture set up for your financial future. With the markets, tax laws, and investment options changing all the time, it's more important than ever that you understand what's offered through AT&T and some of the common mistakes employees make that can potentially put their retirement at risk. If you want to bring your financial future into "frame," after reading our white paper, please go to [FRAME WEALTH](#) to set up a FREE no obligation meeting today.

1

**THE AIP Program.** While some Americans succumb to lifestyle inflation, it's easy to avoid increasing your annual savings contributions to your 401(k) plan. AT&T offers a Voluntary Annual Increase Program which can allow you to automatically increase your 401(k) savings anywhere from 1% to 10% a year until you hit 6% total savings on the 401(k) plan and 44% on the supplementary plan. It's a surefire way to get money out of mind and out of sight so you save more for retirement.

2

**The Mega Back Door Roth IRA.** Some executives at AT&T can be narrowly FOCUSED on the pre-tax options in the 401(k) plan, and forget to look at the after-tax investment option within the 401(k). Why? Well, quite frankly once someone has optimized the maximum contributions (and catch-up contributions) in their 401(k), they automatically assume there is little to no value of saving more money into the 401(k).

You have an IMPORTANT CLAUSE in your benefits manual. Specifically, the Summary Plan Description document says the following. "You may withdraw up to any amount up to the entire account balances of your After-Tax Contributions." This is incredibly important if you are 59 ½ or older because you could set up what's called a MEGA BACK DOOR ROTH IRA. This strategy which isn't well known amongst executives, could be a great strategy from a tax and estate planning perspective. This is a strategy that Frame Wealth Partners can help determine if it is right for you in your retirement.

3

**Net Unrealized Appreciation Under Section 162 For AT&T Stock.** At AT&T, you have the opportunity to buy (or you are buying) company stock in your retirement plan. When you leave your employer, there is a crucial tax management decision on what you should do with the company stock. In essence, you have an opportunity to pay ordinary income tax on your cost basis of the company stock but pay capital gains tax on the growth if the election is done successfully. This could result in a tax savings. Once you rollover your 401(k) to an IRA (which is what most financial advisors will tell you to do), this election will no longer be available. If you have worked for a long period of time for AT&T, you don't want to miss out on sitting down and discussing the implication of missing out on Net Unrealized Appreciation.

# 4

**SKIP THE QDIA.** What's a QDIA? It is a Qualified Default Investment Alternative and is the plan's default investment. A QDIA may be a life-cycle or targeted/retirement-date fund. For AT&T, it's basically one of these age-based allocation funds. Since marketing companies are smart, if you don't make a choice on what funds to choose or self-direct the funds yourself, you will automatically be put in the QDIA. The idea of these funds is that the fund company will do the work and adjust the balances until you retire in 2045. We believe this is one of the biggest mistakes people can make with their old 401(k) plan, or just leaving the current mix they have in their 401(k) and never revisiting it on a year-to-year basis.

First, the Target Based fund may not accurately reflect your risk tolerance. Working with an advisor may be beneficial as you weigh the advantages and/or disadvantages to use the individual funds in your 401(k) or look to set up a self-directed brokerage account. (HINT: Talk to us at Frame Wealth Partners about this.)

# 5

**AUTO-REBALANCING.** If your car was drifting to the left or drifting to the right, you would certainly take it to the dealer or an auto shop to put the car in alignment. Just like how your car needs a check-up, so does your 401(k). Many people invest money into their 401(k) plans and over time the original asset allocation they put into place gets out of whack because of normal performance over time. This means that one category may have too much weight or too little weight depending on your original allocation.

There is a simple and easy way to avoid this in your AT&T 401(k) by using the internal automatic rebalancing tool. By switching this tool to the on button, every 180 days the computer will automatically put your 401(k) back into its original alignment which helps you buy certain investments when they aren't performing as well and sell others after they have performed well.

# 6

**AGE 59½ = MORE OPTIONS.** After reviewing all the withdrawal policies within the AT&T 401(k), one of the biggest opportunities is taking advantage of the 59 ½ rule.

(Before-tax Contributions plus earnings (restrictions: must be Disabled or age 59 ½). You may elect a General Withdrawal solely out of your Before-tax Contribution account if you are at least the age of 59 ½. Even when you elect this Before-tax Contributions General Withdrawal, the pre-1987 After-tax Contributions will be distributed prior to your Before-tax Contribution account. The automatic election for the Age 59 ½ General Withdrawal will remain a distribution from all money sources).

This means that you can essentially take your 401(k) and roll the dollars into an IRA account. Once in the IRA account, you'll have a multitude of options that can be much more advantageous than the limited options within your AT&T 401(k). Of course, it will be important to compare those options, costs, and flexibility, but it's a big piece of what executives often miss when working for AT&T.

At Frame Wealth Partners, we've become extremely knowledgeable in all aspects of the financial lives of AT&T employees. Isn't it time you get the right picture set up for the financial future of your family? Learn more about us and how we've helped many AT&T employees do the same.

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