

Are My 401(k) Contributions Being Misused?

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December 7th, 2023



A recent campaign from The U.S. Department of Labor (DOL) uncovered that some employers (albeit a small percentage) are abusing employees' contributions to their retirement plans. The idea that some companies may embezzle funds you've entrusted to them is alarming, especially with automatic enrollment in employer retirement plans picking up in the next couple of years.

To ensure your hard-earned cash doesn't pull a disappearing act, you need to stay vigilant. But don't worry – the DOL has your back. They've published a set of warning signs designed to protect your retirement savings, which we've summarized below.

What Should I Watch Out For?

Ask yourself these 10 questions regularly to make sure your money is going where it should:

1. Am I Receiving My Retirement Account Statements on Time?

Your 401(k) or individual account statement should be like clockwork. Contact your plan administrator and see how often you're supposed to be receiving a statement – many plans send quarterly statements.

2. Does My Account Balance Seem Correct?

Your account balance is the heartbeat of your retirement savings. If it doesn't seem accurate or align with your paycheck contributions and market trends, then it's time to investigate if something is wrong.

3. Are My Contributions Being Transferred on Time?

Your employer is responsible for moving your contributions to the plan on time. If there are delays in this process, it could impact your investment growth. Keep an eye on your account to ensure your investment strategy stays on track.

4. Is My Balance Dropping Quickly?

Market fluctuations are normal, but if your account experiences a substantial drop without a reasonable explanation, something may be wrong.

5. Am I Missing Any 401(K) Contributions?

Your 401(k) statement should reflect contributions from your paycheck. If you notice that these contributions are missing, it's a red flag.

6. Did I Authorize These Investments?

Your investment portfolio should align with your choices. If you find investments listed on your statement that you didn't authorize, it's a cause for concern. Your money should be working where you intended.

7. Am I Receiving My Benefits on Time?

Retirement benefits should be seamless, even for former employees. If there are challenges in receiving benefits on time or in the correct amounts, address the issue quickly.

8. Are the Transactions in My Account Accurate?

Keep an eye on your account for irregular transactions, such as loans to the employer, corporate officers, or plan trustees. If you notice anything amiss, reach out to your plan administrator.

9. Is There a Lot of Turnover with the Investment Managers?

Consistent changes in investment managers or consultants without clear explanations can be a sign of instability. Make sure that such changes are transparently communicated and justified.

10. Is My Employer Experiencing Financial Hardship?

If your employer is experiencing severe financial trouble, it could impact the stability of your retirement plan. Stay informed about your company's financial health and consider seeking advice on how it may affect your retirement savings.

Do You Believe Your Contributions Are Being Misused?

If you suspect misuse of your contributions, take action by:

- File an Information Referral (Form 3949-A) with the Internal Revenue Service (IRS)
- Call the IRS Criminal Investigation Hotline at 1-800-829-1040
- Contact the Employee Benefits Security Administration (EBSA) at 1-866-444-3272

The Bottom Line

By staying vigilant and recognizing these warning signs, you can take proactive steps to safeguard your contributions. Regularly review your statements, communicate with your employer, and seek professional advice if any concerns arise. Your financial future is worth the effort to protect.