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Protecting Your Nest Egg

During these uncertain financial times, many Americans are afraid to open up their 401(k) statements or are unsure of where to put their retirement savings besides under the mattress. Although the law can't guarantee you a great return or help you pick the safest stocks, it can provide some important protections when you change jobs or your employer goes out of business.

To help you better understand how the law can protect your retirement funds, the YourLaw is offering this primer on laws and agencies that may be useful to you. The **Employee Retirement Income Security Act of 1974 (ERISA)** establishes many of the mandates and standards for pension plans in private industries. For example, ERISA requires that you be given a yearly summary of all your qualified retirement accounts. This requirement creates accountability for plan investors.

Another federal law, the **Pension Protection Act of 2006**, forces employers to shore up their plans. Under this law, plans that are not fully funded face additional premiums and penalties. In addition, your state may have other laws in place to regulate the pension and retirement plans of employers within the state.

Various government agencies enforce these laws and provide other protections for investors such as deposit insurance. Such insurance, offered by the **Federal Deposit Insurance Corporation** (FDIC), protects the money that you place in qualified banks up to a certain amount. This insurance is automatic and means that if the bank should fail, your money (up to a limit) will be guaranteed by the FDIC. Similar protections are available for deposits with credit unions (through the National Credit Union Administration) and those with brokerage firms (through the Securities Investor Protection Corporation). The guaranteed amount varies depending on the type and location of your investment.

Regardless of how well you protect your retirement accounts, a serious change in your employment status may still put your nest egg at risk. However, losing your job doesn't necessarily eliminate your retirement options. There is a good chance your pension is still safe. You must, however,

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immediately check out the employ's "vesting" policy. Your pension is said to vest when you have the right to all the earned benefits. If your pension has vested, you have a right to the benefits, even if you leave the job for any reason. By law, your pension rights must either vest completely after five years or vest partially after three years of service. Any vested pension benefits are yours, regardless of whether you leave the job.

If your employer terminates your pension plan, you still aren't totally at a loss. If your plan is considered "qualified," your interest will vest immediately and you have the right to any contributions made by you or your employer. If the employer doesn't have enough money in its accounts, you still aren't totally on your own. "Defined-benefit plans" (plans that guarantee you a certain amount of money each month upon your retirement) are insured by the **Pension Benefit Guaranty Corporation**, up to a certain amount.

There are a variety of resources available for concerned investors. **The Garrett Planning Network** offers financial planning advice to consumers on an hourly basis (www.garrettplanningnetwork.com), as does the **National association of Personal Financial Advisors** (www.napfa.org). For more information, check out the **Pension Benefit Guaranty Corporation** (www.pbgc.gov). or the **Pension Rights Center** (www.pensionrights.org). And of course, if you are worried that someone has committed fraud in overseeing your pension accounts, do not hesitate to contact your lawyer.

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