RETIREMENT INVESTMENT ADVISORS, INC.

2925 United Founders Blvd.
Oklahoma City, OK 73112
(405) 842-3443
(800) 725-4530

9300 John Hickman Pkwy.
Suite 504
Frisco, TX 75035
(972) 377-2850

www.TheRetirementPath.com

top row, left to right: Chad A. Rudy, CFP®, Randy L. Thurman, CFP®, Andrew K. Flinton, CFP®, and Alexx V. Peralta, CFP®
bottom row, left to right: Sylvia L. Sterling, CFP®, Brenda C. Bolander, CFP®, and Carol Ringrose Alexander, CFP®

Financial Briefs

AUGUST 2025

401(k) Plan Mistakes to Avoid

We all know how important it is to save for retirement, and 401(k) plans have become one of the most effective ways to save. However, many workers who have access to a retirement plan don't participate. That's probably the biggest mistake you can make. If you have access to a plan, you should take full advantage of it.

If you are participating in your employer's retirement plan, you are headed down the right path. But just because you are participating doesn't mean you're all set. There are 401(k) mistakes that can derail an investor's retirement plan. Here are some of the biggest mistakes and how you can keep things on track:

Knowing How Much You Need to Save for Retirement

If you don't have a goal for how much you need to save to live comfortably during retirement, you will probably fall short. The first step is to determine the lifestyle you want during your retirement. In addition to paying your basic expenses, do you want to travel? Maybe you want to start a small business that you've always dreamed about. Or perhaps you have a hobby that you would like to pursue. All of these items need to be factored into your estimate for retirement savings so you can live the lifestyle you want.

Most financial experts agree that you will need at least 70–90% of your preretirement income to live comfortably. But don't just use a rule of thumb; make sure to review your specific situation.

Not Saving Enough

Most experts suggest you should save 10–20% of your income for retirement. Because many companies auto-enroll new employees into their 401(k) plans using a default dollar amount, many employees fail to adjust the dollar amount and end up not saving enough to meet their retirement goals.

Others may feel they just don't earn enough to contribute 10% to 20% of their income due to competing demands on their money, such as debt or building an emergency fund. If that is the case, at least try to save enough money to get the full company match.

Another method that can help you increase the amount you save in your 401(k) is a contribution rate escalator. Many companies now offer this feature as part of their retirement plans. A contribution rate escalator increases how much you're saving by making small automatic dollar increases over time.

Not Paying Attention to Fees

There are typically three types of fees associated with your 401(k)

Continued on page 2

Hidden Gems in 401(k) Plans

Tax-deferred contributions and employer matches make 401(k) plans a valuable retirement planning tool, but many people are unaware of other features that can make them even more valuable. Check with your 401(k) plan administrator to see what other gems may be hiding in your plan.

Investment Advice

Most people would readily admit they don't have the knowledge or skills to manage their own investments, but they do not take advantage of the various advice options that may be available through their 401(k) plan. Almost 40% of plans offer online advice for investment recommendations, but only 6% of plan participants utilize these online advice tools. And while about 25% of plans offer managed account advice and 68% offer professional financial planner services, only about 10% of participants use either of these services. While the financial planning service may require a fee, much of this investment advice is available for free.

Continued on page 3

FR2025-0408-0056

401(k) Plan Mistakes

Continued from page 1

plan, including administration fees, investment fees, and service fees. These fees can eat into your retirement account's potential growth. To understand how much you are paying in fees and expenses, carefully review your regular statements. Also, at the end of the year, you should receive a statement that will show how much you paid in 401(k) fees.

If you have an old 401(k) plan from a previous employer, you should compare that plan's fees to your current 401(k) plan to see if rolling it over to your new plan makes sense. Also consider an IRA rollover so you can select the best investment options.

Too Much Stock in Your Company

Having company stock in your 401(k) plan may come with significant growth potential, but it may also increase the volatility of your retirement portfolio. If your 401(k) plan includes company stock, make an assessment of your risk. Most experts agree that your portfolio should not have more than 10% to 15% in any one stock.

Not Rebalancing Your Portfolio

The reason for asset allocation is to balance your portfolio across asset classes such as stocks, bonds, and cash so that if one is performing poorly, others will help offset losses. Over time, however, your investments may drift from your original asset allocation.

You should review your portfolio on a regular basis to determine if rebalancing is needed. Some 401(k) plans provide an automatic rebalancing feature that can do the work for you. If you do not have the time or inclination to rebalance your portfolio, you may want to invest in target-date retirement funds or asset allocation funds.

Not Contributing Enough to Get the Company Match

If your employer matches any percentage of your contributions, you should at least contribute enough to get the full company match. Look at your benefits package to determine how much your employer will contribute and take full advantage of this benefit.

In 2025, you can contribute up to $23,500 in your 401(k) or up to $31,000 if you are age 50 or older.

Not Considering a Roth 401(k)

With a traditional 401(k), you receive the tax benefits up front because the contributions lower your taxable income during the current tax year. When you begin taking distributions from your 401(k) in retirement, you will then have to pay ordinary income taxes on the withdrawals. With a Roth 401(k), you make contributions with after-tax dollars and your earnings grow tax-free, meaning you will not have to pay taxes when you withdraw your money. Typically, people who don't need to lower their income today or believe they may be in the same or higher tax bracket during retirement benefit from a Roth 401(k) plan.

You should compare the differences between the two types of 401(k) plans to decide which makes the most sense for you. Additionally, you may want to consider splitting your contributions between both types of 401(k) plans. Please call if you'd like to discuss this topic in more detail.

Encourage Your Children to Contribute to IRAs

Once your children start working, help them develop good savings habits by encouraging them to fund an individual retirement account (IRA). Even if your child only contributes for a few years, IRA savings can grow to significant sums by the time your child retires.

Your child must have earned income to contribute to an IRA and may only contribute the lesser of earned income or the maximum IRA contribution, which is $7,000 in 2025.

Although most children will be eligible to contribute to both a traditional deductible IRA and a Roth IRA, consider encouraging your child to fund a Roth IRA, which has several advantages:

- **Roth IRAs are more flexible.** Your child can withdraw all or part of his/her contributions at any time without paying federal income taxes or penalties. Thus, if your child later decides to use contributions for college, a car, a down payment on a home, or for some other purpose, contributions can be withdrawn with no tax consequences.
- **Earnings accumulate tax free, plus qualified distributions can be withdrawn tax free.** A qualified distribution is one made at least five years after the first contribution and after age 59½. There are also certain circumstances where earnings can be withdrawn without paying income taxes and/or the 10% federal income tax penalty. If your child allows the funds to grow until at least age 59½, all contributions and earnings can be withdrawn without paying any federal income taxes.
- **A traditional deductible IRA offers little tax benefit to a child.** When your child first starts working, he/she will typically pay a low marginal tax rate on his/her income. So even though the Roth IRA contribution is not tax deductible, your child typically receives little or no tax benefit from deducting the traditional IRA contribution anyway.

If you can't convince your child to use his/her own money to fund an IRA, consider reimbursing him/her for their IRA contributions as part of your annual gift tax exclusion. Hopefully, you will teach your child some important lessons about saving at an early age. Please call if you'd like to discuss how to implement this strategy for your child or grandchild.

Hidden Gems

Continued from page 1

Investment Customization

A wide range of investment options are available to provide participants with choices based on their investment tolerance. On average, 401(k) plans offered 18 different funds in 2016, yet half of plan participants contribute to only one fund. Investment diversification is important in your 401(k) plan because it helps during volatile periods in the market. Consider taking advantage of the plan's investment advice tools to determine your investment risk tolerance and closely review the fund recommendations, so you have an investment portfolio that is customized to meet your goals.

Changing Investments

While investment selections can be changed in your 401(k) at any time, only 9% of plan participants actually traded within their plan in 2015. This is an important feature of your plan because your situation may change. On a quarterly basis, you should review the investments in your 401(k) to determine how they are performing in meeting your investment objectives. Again, use some of the investment planning tools to help you determine when it's time to change your investment selections.

Roth 401(k) Plans

The benefits of investing after-tax contributions in a Roth 401(k) is that contributions may be drawn tax-free in retirement. While there are rules around how much you can invest in a Roth 401(k) plan, tax-free income in retirement is a great way to reduce your tax liability. You will most likely have multiple sources of income in retirement, such as Social Security, 401(k) plan withdrawals, and other investment income, all of which can put you in a higher tax bracket. When you take money in retirement, you will have more control over how much of that money will be taxed. Additionally, the Roth 401(k) plan does not have required minimum distributions at 73, giving you more flexibility in managing your disbursements.

Catch-Up

About 97% of 401(k) plans offer the option to make catch-up contributions to those 50 and older, but only 16% of eligible participants take advantage of this option. The maximum contribution to a 401(k) in 2025 is $23,500, but the catch-up feature allows a participant to contribute an additional $7,500. If you haven't been making the max contribution and you're over 50, this is your opportunity to make the most out of your 401(k) with the time you have left to make contributions.

Please call if you'd like to discuss your 401(k) plan in more detail.

How Employer 401(k) Plan Matching Works

All employers are required to adhere to 401(k) contribution limits and withdrawal regulations determined by the Employee Retirement Income Security Act (ERISA). However, when it comes to matching employee contributions, the sponsoring employer determines the specific terms. An employer may have a very generous match or choose not to match at all.

Matching Formulas

Employers use many different formulas to determine matching contributions, but most match employee contributions up to a percentage of the employee's annual income. However, some employers may not consider income at all and match a certain dollar amount of an employee's contribution.

How Matching Works

Let's assume your employer matches 100% of your annual contributions up to a maximum of 3% of your annual income. If you earn $60,000, the total potential match you can receive is $1,800. To receive the full match, you must also contribute $1,800. If you contribute more than $1,800, your additional contributions will not be matched

Partial matching seems to be a more common matching formula. Let's assume your employer matches 50% of your contribution up to 6% of your salary. If your earnings are $60,000, you would have to contribute $3,600 to receive the employer's maximum match of $1,800. With this formula, you will need to contribute twice as much to receive the full employer match.

Under dollar amount matching, you must contribute that same amount to receive the match. Regardless of your income, if your employer matches up to $5,000 of your contributions, you must also contribute $5,000 to receive the full benefit.

Contribution Limits

All contributions to your 401(k) plan, whether they come from you or your employer, must adhere to the Internal Revenue Service contribution limits. The total contribution limit in 2025 is $23,500. If you are over 50, you may make additional catch-up contributions up to $7,500, if permitted by your 401(k) plan.

Vesting

You should also familiarize yourself with your plan's vesting schedule. This schedule determines the percentage of ownership you have in your employer's contributions based on how many years you've been employed with the company. For example, if your employer requires five years to be fully vested, you may lose all or some of the contributions the employer made if you were to leave or be terminated from the company before five years. Any contributions you make to the account will always be yours with no forfeiture if you leave the company.

Please call if you'd like to discuss 401(k) plan matching in more detail.

News and Announcements

From The Thurman Household

Congratulations are in order for Levi, who recently proposed to Lauren — and she said yes! Lauren is a remarkable young woman with impressive intellect and dedication (she holds a purple belt in Jiu Jitsu). We're thrilled for this wonderful couple and look forward to celebrating their upcoming nuptials.

I'm honored to share that I was recently inducted into the OSCPA Accounting Hall of Fame, the only CPA to receive this recognition this year. This achievement reflects our commitment to excellence in wealth management (considered an accounting activity) and my three decades plus involvement with OSCPA, including public seminars, managing their investments, serving on the board, endowing a scholarship and serving on numerous committees.

The Thurman Family Earlywine YMCA pickleball courts are officially open! These eight covered outdoor courts represent a meaningful investment in our community's health and recreation. It's both humbling and surreal to see our family name associated with such a wonderful facility.

Pati recently completed the Coastal Redwoods Trail Fest in California — a three-day celebration of nature, history, hiking and friendship featuring 13-mile daily hikes through diverse terrain, from ancient forests to coastline to wine country.

Randy L. Thurman, CFP®
CPA/PFS™, CEO

From the Rudy Household

We had a fun and low-key summer, and our daughters are now excitedly looking ahead to the fall, with new beginnings and a return to school.

Kayla completed her CPA exams, enjoyed a few vacations, and is working part-time at PepsiCo. She's eagerly anticipating her official start at Deloitte Consulting in October. While she's a bit nervous about the demanding work hours and limited vacation, I'm hopeful her first assignment will be exciting and in a great location.

Megan spent her summer working at a doggy daycare and completing two college classes. She absolutely loves being with the dogs! However, there is an occupational hazard that we didn't anticipate. One of the dogs was available to adopt, which Megan quickly did. I must admit, she and Baker (Mayfield) have a lot of fun together. This school year she'll have a lighter class load and will finish her degree with a major in Psychology and a minor in HR.

Tatum has joined Megan at OU for her freshman year. She loved setting up her dorm and plans to study Finance. She is very excited about her first semester.

Amy and I are incredibly happy and proud of all three girls. With everyone graduating or off to college, we officially have an "empty nest." But, the girls still come and go frequently. Amy recently heard another term that fits our situation a little better. What we have is an "open nest."

Chad A. Rudy, CFP®, RSSA®
Executive Vice President - TX

From the Peralta Household

"Life is either a daring adventure or nothing at all." – Helen Keller

I spent the 4th of July weekend in Bentonville, Arkansas, and it was exactly what I needed. A chance to unplug, slow down, and enjoy some fresh air. The town has this perfect blend of charm, scenic trails, and art, which made for a weekend that was both relaxing and adventurous.

We spent time hiking, soaking in the views, and enjoying the quiet that comes with being surrounded by nature. But, as nature tends to do, it threw in a little surprise.

On one of our hikes, we had just turned around to head back when we spotted something, only about a foot in front of us that made us literally jump back. A rattlesnake had settled itself right in the middle of the trail. It wasn't moving or even rattling its tail, just calmly sitting where we had walked no more than 5 minutes earlier. The wildest part wasn't even how close we got; it was realizing that the snake had probably been within a foot or two of us the first time we passed, and we never even noticed.

After a few tense moments (and some very careful encouragement), it finally slithered off the trail. Safe to say we were hyper-aware of every step we took on the way back.

Funny how a quite weekend can sneak in a little adrenaline.

Alexx V. Peralta, CFP®
Financial Advisor

Retirement Investment Advisors, Inc.
Holiday Hours

Labor Day
Monday, September 1, 2025 – Closed