The 401(k) Plan Review Checklist

7 Questions Every Participant Should Be Able to Answer About Their Plan

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Why this checklist exists

Most 401(k) participants have never read their plan documents. That is not a criticism. The documents are dense and nothing about the system makes it easy to know what to look at first.

This checklist is the bare minimum. It is not a financial plan, and it is not telling you what to do with your money. It is seven questions that, once you can answer them, will put you ahead of most participants in your plan.

Work through them at your own pace. Section 3 of this checklist will show you where the answers live.

This document is for educational purposes only and does not constitute investment, tax, or legal advice. Every situation is different.

THE 7 QUESTIONS

Work through these at your own pace

1. What is my employer's full match formula, and what do I need to contribute to capture all of it?

The match is the highest-return contribution most people will ever make. A common formula is "100% match on the first 3% of pay, plus 50% on the next 2%", which means contributing at least 5% captures the full 4% employer match. Anything less leaves money on the table.

Formulas vary. The number that matters is the minimum contribution percentage required to capture every dollar your employer is willing to add.

2. Does my plan offer a Roth 401(k) option in addition to traditional pre-tax?

Traditional contributions lower your taxable income today and are taxed when you withdraw in retirement. Roth contributions are the opposite: taxed today, tax-free in retirement.

Most modern plans offer both, but not all do, and many participants do not realize their plan has added the Roth option. The choice between them depends on your current versus future tax bracket. The first step is just knowing whether the option exists.

3. Is my plan invested in a target-date fund, and does its target year match when I actually plan to retire?

Target-date funds are the default in most auto-enrolled plans. They are named for a year (2050, 2055, 2060) and automatically shift from stock-heavy to bond-heavy as that date approaches.

The year on the fund should match when you actually plan to stop working, not when you turn 65. A participant planning to retire at 55 holding a 2065 fund is taking on more equity risk than the fund was designed for. The opposite is true for someone planning to work to 70 in a 2040 fund.

4. Does my plan offer a self-directed brokerage window?

Some plans offer an optional feature called a self-directed brokerage account, often branded as Schwab PCRA, Fidelity BrokerageLink, or similar. This is a sleeve inside your 401(k) that lets you invest in a broader universe of securities than the core fund menu, while keeping the money inside the retirement account.

Brokerage windows are not for everyone. They typically carry extra fees and require active management. But knowing whether your plan has one is worth a minute. It is one of the most underused features in workplace retirement plans.

5. Does my plan allow after-tax contributions (the mega backdoor Roth)?

If you have already maxed out your standard 401(k) contributions, your plan may allow a third category called after-tax contributions, which can sometimes be converted to Roth shortly after you make them. The result is tens of thousands of additional dollars per year flowing into tax-free retirement savings.

The plan has to permit all the pieces: after-tax contributions, the conversion mechanism, and a high enough combined limit. Many plans permit one or two but not all three. If you are a high earner maxing your 401(k), this is worth asking your plan administrator about directly.

6. What happens to my 401(k) if I leave the company?

You generally have four options when you separate from an employer:

- Leave the money in the former employer's plan, if your balance is above the plan's minimum.
- Roll it into your new employer's plan.
- Roll it into an IRA, which typically opens up a broader investment universe.
- Take a cash distribution, which is almost always the worst option (immediately taxable, plus a 10% early withdrawal penalty if you are under 59 and a half).

The decision is usually not urgent. A direct trustee-to-trustee transfer can be done at your own pace.

7. When was the last time I rebalanced my account or reviewed my contribution rate?

This is the simplest question on the list and the one most likely to be answered "I do not remember."

Markets move. The 70/30 allocation you set five years ago is probably closer to 80/20 today. Many plans offer automatic rebalancing with one click. Your contribution rate deserves the same review: a 6% rate frozen through three raises is a smaller share of your current pay than it was originally.

A reasonable rhythm is once a year, on a date you will remember.

SECTION 3

Where to find this information

Most of these answers live in three places:

Your Summary Plan Description (SPD). Every plan is required to give participants this document, which explains the match formula, vesting, eligibility, and contribution options in plain language. It is usually available on your recordkeeper's website or by request from HR.

Your annual fee disclosure (the 404(a)(5) notice). This is the document that lists every fund in the plan, its expense ratio, and any administrative fees. It is required by law to be sent to participants once a year.

The plan's Form 5500. This is a public filing available at efast.dol.gov. It contains a high level view of the plan's assets, participants, recordkeeper, and (in many cases) the full schedule of investments.

If you cannot find an answer in those documents, your HR department or the plan's recordkeeper can usually help.

Want to talk through your specific plan?

If you would like to talk through anything in this checklist as it applies to your specific situation, you can reach me directly. The first conversation is 30 minutes, free, and not a sales pitch. If we are not the right fit, you will know in the first ten minutes.

Email: zac@waterfallplanning.com
Schedule a call: waterfallplanning.com/talk-to-an-advisor
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ABOUT THE AUTHOR

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Zac Murphy is the founder of Waterfall Planning. He holds the Chartered Financial Analyst designation and is a CERTIFIED FINANCIAL PLANNER™ professional, a combination held by a small subset of financial advisors in the United States.

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