

Ten Warning Signs That Your 401(k) Contributions Are Being Misused

Increasingly employees are asked to make voluntary or mandatory contributions to pension and other benefit plans. This is particularly true for 401(k) savings plans. These plans allow you to deduct from your paycheck a portion of pretax income every year, invest it and pay no taxes on those contributions until the money is withdrawn at retirement.

An anti-fraud campaign by the Department of Labor uncovered a small fraction of employers who abused employee contributions by either using the money for corporate purposes or holding on to the money too long. Here are 10 warning signs that your pension contributions are being misused.

1. Your 401(k) or individual account statement is consistently late or comes at irregular intervals
2. Your account balance does not appear to be accurate
3. Your employer failed to transmit your contribution to the plan on a timely basis
4. A significant drop in account balance that cannot be explained by normal market ups and downs
5. 401(k) or individual account statement shows your contribution from your paycheck was not made
6. Investments listed on your statement are not what you authorized
7. Former employees are having trouble getting their benefits paid on time or in the correct amounts
8. Unusual transactions, such as a loan to the employer, a corporate officer, or one of the plan trustees
9. Frequent and unexplained changes in investment managers or consultants
10. Your employer has recently experienced severe financial difficulty