A Decision Not Made Is Still a Decision

Whether through inertia or trepidation, investors who put off important investment decisions might consider the admonition offered by motivational speaker Brian Tracy, "Almost any decision is better than no decision at all."

This investment inaction is played out in many ways, often silently, invisibly, and with potential consequences to an individual's future financial security.

Let's review some of the forms this takes.

Your 401(k) Plan

One of the worst decisions may be the failure to enroll. Not only do non-participants miss out on one way to save for their retirement, but they also forfeit any potential employer-matching contributions. Not participating can be a costly decision. But under the SECURE 2.0 Act, employers will be required to automatically enroll employees in retirement plans starting in 2025.[1]

The other way individuals let indecision get the best of them is by not selecting the investments for the contributions they make to the 401(k) plan. When a participant fails to make an investment selection, the plan may have provisions for automatically investing that money. And that investment selection may not be consistent with the individual's time horizon, risk tolerance, and goals.

In most circumstances, you must begin taking required minimum distributions from your 401(k) or other defined contribution plan in the year you turn 73. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10 percent federal income tax penalty.

Non-Retirement Plan Investments

For homeowners, "stuff" just seems to accumulate over time. The same may be true for investors. Some buy investments based on articles they have read or based on the recommendations of a family member. Others may have investments held in a previous employer's 401(k) plan.

Over time, we can end up with a collection of investments that may have no connection to our investment objectives. Because of the dynamics of the markets, an investment that may have once made good sense at one time may no longer be advantageous today.

By not periodically reviewing what we own, which would allow us to cull inappropriate investments – or even determine if the portfolio reflects our current investment objectives – we are making a default decision to own investments that may be inappropriate.

Whatever your situation, your retirement investments require careful attention and may benefit from deliberate, thoughtful decision-making. Your retired self will be grateful that you invested the time … today.

1. Investopedia.com, January 6, 2023. The auto-enroll feature does not apply to companies with 10 or fewer employees. Also, new companies in business for less than three years are exempt from the rule.