10 Strategies to Maximize Your 401(k) Balance

Here's how to grow and protect your retirement savings.

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Rollover without fees. When you change jobs, you can generally leave your 401(k) balance at your former company or roll it over to an IRA or your new employer's 401(k) plan. If you decide to move your money, ask your former employer to directly transfer the balance to the new financial institution instead of cutting you a check, which will help you to avoid taxes and penalties.

[See How Job Hopping Hurts Your Retirement Savings.]

Minimize fees. Investment options with high fees will significantly reduce your 401(k) balance over the course of your career. "Some 401(k) investments have very high costs, and you should pick the lowest-cost investment in your 401(k) plan that also matches you risk tolerance," says McClanahan. "If it's a high-cost 401(k) plan then maybe consider saving in an IRA instead of the 401(k) after you get the match." Workers received new information about the fees being deducted from their retirement accounts in 2012 due to new Labor Department rules. "If the funds are bad and the fees are high, start making noise to your human resources department and see about getting the plan changed," says Clark.

Diversify your assets. Choose a mix of stock and bond funds that is appropriate for your risk tolerance, and periodically rebalance your portfolio to your target allocation. "As you approach retirement, shift a portion of your 401(k) to less-volatile mutual funds to preserve your capital," says Clark. But avoid making significant changes to your investment strategy on a whim. "The worst thing that you can do besides not participating is to attempt to time the market or change your investments every time you hear some economic news or story that could impact the market. Stay the course," says Kelley.

Remember required minimum distributions. After age 70½, you are required to take annual distributions from your traditional, but not Roth, 401(k). The penalty for failing to withdraw the correct amount is a stiff 50 percent of the amount that should have been withdrawn. Make sure you take required minimum distributions each year in retirement to avoid the penalty.

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