401(k) Plans

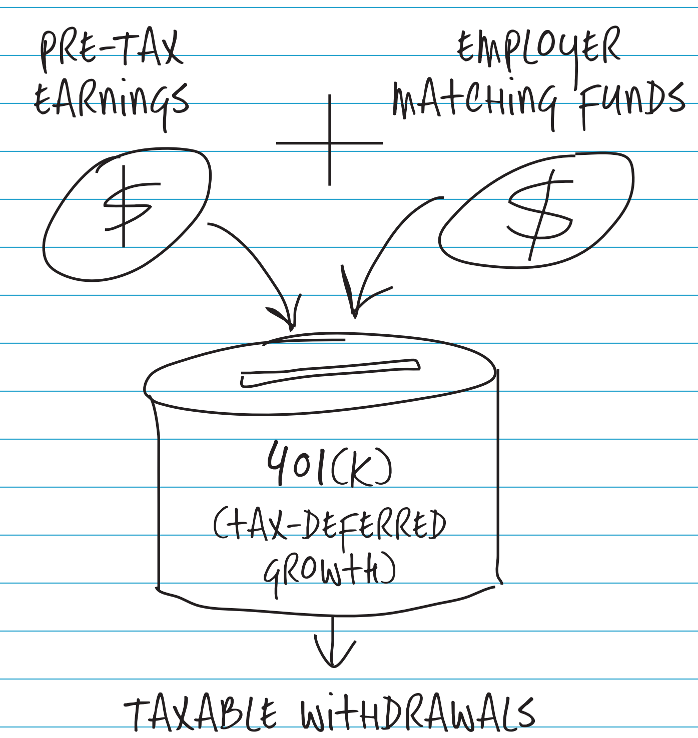
CONCEPT APPLIED:
Employees can maximize 401(k) retirement savings by starting early, contributing as much as possible, and taking full advantage of any employer matching funds.

HOW IT WORKS:
Eligible employees can defer a portion of pre-tax salary up to the annual contribution limit ($23,000 in 2024, or $30,500 for those over 50). Many employers match all or part of each contribution. In most cases, employees must begin taking annual required minimum distributions (RMDs) in the year they reach age 73. There is a 10% penalty on withdrawals before age 59½ (with some exceptions).

WHY IS IT USEFUL?
Tax-deferred growth has a tremendous impact on retirement fund accumulations. In addition, it's possible that retirees will enjoy a lower tax bracket in retirement, meaning they will pay lower taxes on withdrawals than they would have paid on the original contributions.

50 WORDS OR LESS

A 401(k) plan is an employer-sponsored, qualified retirement plan that allows participating employees to contribute a portion of pre-tax salary into the plan (often matched by an employer contribution). Any growth is tax deferred. Funds are taxed (as ordinary income) only when withdrawn.



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