

RETIREMENT PLANNING

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 (\$24,500 in 2026, or \$32,500 for those over 50, with a special \$35,750 limit for participants age 60-63).^{*} 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 73. Withdrawals from the plan are taxable as income and potentially subject to a 10% tax penalty if taken before age 59½.

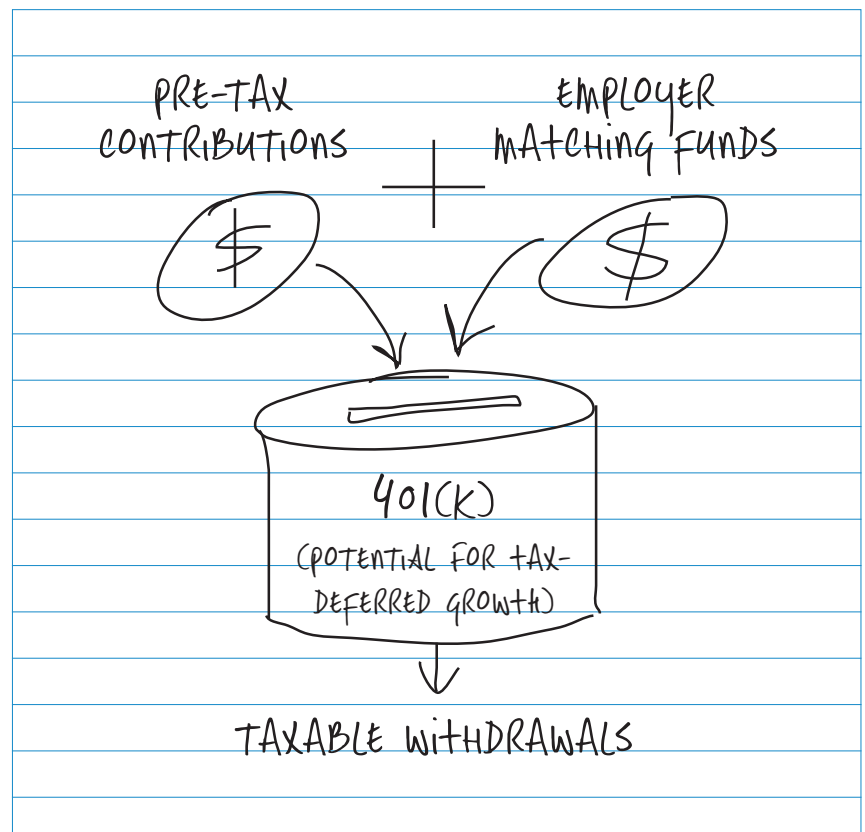
WHY IS IT USEFUL?

The potential for tax-deferred growth can have a tremendous impact on retirement fund accumulations. In addition, it's possible that retirees will enjoy a lower tax bracket in retirement, meaning they may pay lower taxes on withdrawals than they would have paid on the original contributions.

^{*} Internal Revenue Service Notice 2025-67 provides technical guidance regarding cost-of-living adjustments affecting retirement-related items for tax year 2026.

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 Funds are taxable (as ordinary income) only when withdrawn.



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