



What is a 401(k) Plan?

And Why Should I
Participate?

- **What is a 401(k) Plan?**

- Automatic deposits through payroll
- Tax advantages
- Financial advisor available
- Protection from most creditors/judgments
- Create an emergency fund
- Your employer is paying plan expenses

- **What about Social Security?**

- What age will you be when you retire?
- How much will Social Security pay you?

- **How much can I contribute?**

	Deferral Limit	Catch-Up Contribution
2010	\$16,500	\$5,500
2011	\$16,500	\$5,500
2012	\$17,000	\$5,500
2013	\$17,500	\$5,500

- **Should I invest now, when the market is down?**

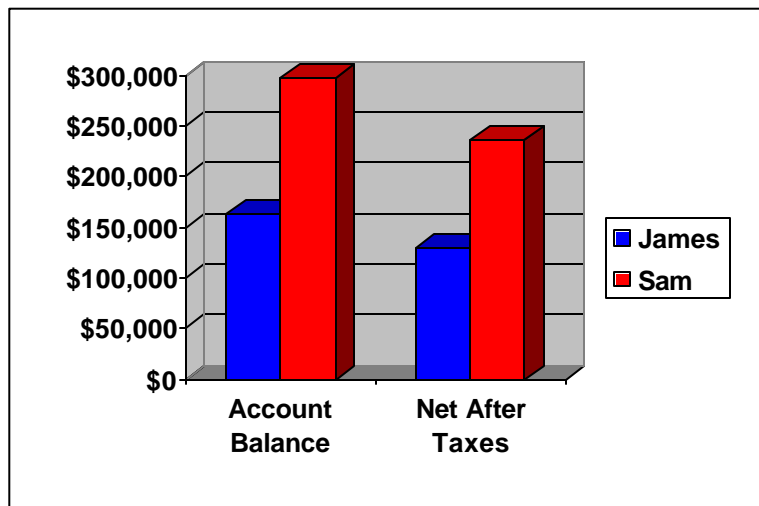
- Buy low, sell high
- This is a long-term investment
- Higher potential return investments generally come with greater volatility
- Discuss this with your financial advisor





What Are the Tax Advantages?

	James after-tax investment	Sam 401(k) investment
Weekly Contribution	\$50	\$50
Taxes	<u>-10</u>	<u>-0</u>
Net Investment	\$40	\$50
Balance in 25 Years	\$162,986	\$298,131
Balance After Taxes	\$128,750	\$235,520



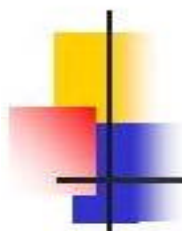
- Are there any other tax advantages?

- tax credit of a percentage of your contribution up to \$1,000, as long as you make under:

Filing Singly: \$25,000

Married Filing Jointly: \$50,000

Head of Household: \$37,500



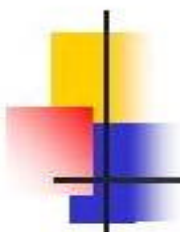


What About Taking My Money Out?

- **Can someone take my money?**
 - Protected if you are sued or file bankruptcy
 - Some exceptions

- **What if I need to use the money?**
 - **Loans**
 - May borrow up to 50% of your vested balance
 - Minimum amount = \$1,000; maximum amount = \$50,000
 - Not subject to taxes if repaid
 - Caution: if you leave the company, you will have to repay loan in full
 - **Hardship Withdrawals**
 - Limited circumstances under which you can withdraw money
 - May withdraw almost all of account balance
 - Do not have to repay, but will be subject to taxes/penalties
 - Must stop 401(k) deferrals for 6 months

- **What happens if I leave my job?**
 - Roll balance to another employer's 401(k) plan
 - Roll balance to an IRA
 - Take balance out in cash (subject to taxes and penalties)
 - Leave balance in plan (if over \$5,000)





How Do I Enroll?
