

A 401(k) plan, when appropriate for your personal financial situation, can be a powerful vehicle for getting you to where you'd like to be at retirement time — if you take advantage of all it has to offer.

Ratchet Down Your Taxes

A 401(k) plan can give your retirement goals a boost by letting you make *pretax* contributions.* These contributions reduce your current taxable income — and your current income taxes. So, you may be able to contribute more. Also, your contributions and investment earnings can potentially grow and earn additional income without being depleted by annual taxes. Your money has the potential to grow faster than it might in an account where earnings are taxed annually. Taxes aren't due on pretax contributions and earnings until you withdraw money from the plan. Withdrawals are taxed at ordinary income-tax rates and, if taken prior to age 59½, may be subject to a 10% federal income-tax penalty.

Make Your Match

If your employer matches your contributions, consider contributing at least enough to receive the maximum amount. One study showed that the most common matching contribution is 50 cents on the first 6% workers contribute to their plan accounts.** The employer contributes 50 cents for every dollar the employee contributes, up to 6% of pay. Check to see if your plan offers a match. *Any* matching contributions can really rev up your plan account.

Fuel Your Returns

401(k) plans offer a variety of investments that can work together to potentially maximize your investment return. You're responsible for choosing appropriate investments for your retirement plan account from the investment choices offered by your plan. To take full advantage of the investments available to you, learn as much as you can about the investments offered and the basics of investing for your future. Your financial professional can help. A difference in annual returns of even 1% can have an impact in the long term.

For help tuning your investments to power up your retirement plan account, talk with your financial professional. Ask about how a traditional or Roth individual retirement account could help boost your efforts.

* Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax deferral. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.

** 58th Annual Survey of Profit Sharing and 401(k) Plans, Plan Sponsor Council of America (reflecting 2014 experience for plans with fixed and discretionary matches)

