

Why use a 401k

Top 5 Benefits of 401k Plans

BENEFITS

01 Tax Advantages

Contributions to a traditional 401(k) are taken directly out of your paycheck before federal income taxes are withheld. Because the contributions are pre-tax, it lowers your total taxable income which means you might owe less in income taxes, regardless of whether you itemize or take the standard deduction

02 You are in Control

You can contribute as much or as little as you want to your account (subject to plan and IRS limits). Plus, you have the flexibility to change your contribution levels at any time (subject to plan limits) dependent on your situation.

03 You can take it with you

Even if you change jobs, the money you've contributed to your 401(k) and its earnings belong to you. Depending on your plan type, there are different ways to keep your retirement plan invested and growing on a tax-deferred basis. If you've left an employer, but still have an old 401(k) with them, find out what your options are for leaving it in plan or moving it somewhere else.

04 Time is on your side

The earlier you start investing, the more time your money has to grow. One of the biggest advantages of investing in a 401(k) early is compound interest. Compound interest is when you earn interest on the principal amount of an investment plus any accumulated interest, i.e. it's when you earn interest on interest. Compounding can have a big impact on long-term investment and should be considered a powerful ally when it comes to saving for retirement. It may not seem like much looking at your 401(k) in the early days, but compounding can really add up.

05 Easy Payroll Deduction/Company Match

With a 401(k), you can make automatic contributions directly from your paycheck. It makes saving a simple and effortless process. And, since the deduction is taken before you get paid, you won't miss the money. Company may match your contribution and contribute extra into your retirement account on top of your own contributions that will continue to add up in your account.



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