

Everything 401k

MAX IT OUT (or at least max out your employer's contribution!!)

- What is a 401k?
 - Employer-sponsored retirement savings plan.
 - If you set up another retirement plan (IRA) you have to pay a fee.
 - Retirement: this is money that is sheltered from taxes FOR YOUR RETIREMENT!
 - You can take money out of your 401k early with varying penalties
 - ◆ Penalties means you pay taxes on the money you take out
 - It is YOUR money (some companies "vest" the money they contribute)
 - ◆ Vesting means you only get to keep the money your employer gives you IF you remain with your company for a pre-determined amount of time
 - ◆ Refers to the rights of ownership of the balance of your account.

High risk
 med risk
 Low risk

\$100	\$100	401k
-10	\$90	Hardy
<u>\$90</u>	-1	\$10 \$10
	\$81	\$20

- You can take your money out at retirement age.
 - ◆ 55-59½ is considered retirement age.
 - ◇ You can choose to take penalty-free withdraws IF you have retired during your 55th year or after
 - ◇ 10% penalty if you retired early
 - ▶ That's WHEN you retire... not when you withdraw.
 - ◆ 59½-70½ retired
 - ◇ You can choose to take penalty-free withdraws whether you are still working or not from PAST accounts
 - ◆ 70½ or older you MUST begin taking distributions from your 401k
- Money is taken out of your paycheck BEFORE taxes.
 - Assigned by a percentage, or a set amount.
 - ◆ Maximum amounts of contribution:
 - ◇ \$18,500 per year
 - ◇ \$24,500 per year if over the age of 50



- What happens to the money that is put in your 401k plan?
 - The money is "managed" by an investment firm, like a mutual fund
 - ◆ Mutual fund or a managed 401k fund is an account that owns stock in a diversified list of companies.
 - ◇ Diversified means different
 - ◇ Why do you want to own different companies?
 - ◇ Examples
 - ▶ T-Mobile
 - ▶ Sprint
 - ▶ General Electric
 - ▶ Apple
 - ◇ Versus
 - ▶ Dow Jones
 - ▶ Nasdaq