

BUILDING BLOCKS FOR RETIREMENT

Retirement Planning Essentials

Rekindle the Romance

Your 401(k) Offers You Valuable Benefits You Just Can't Find Anywhere Else

In the midst of economic adversity, market volatility, geopolitical uncertainty and a host of other things (including a still-active pandemic, now in its third year), it can be hard to find a silver lining. However, there is one thing that keeps showing you some love every day — your 401(k)! Here are some tips to remind you why you got together in the first place — and help keep the romance alive.



Your Savings Are Automatic

With your 401(k), you're following the core financial planning principle of "pay yourself first." Money is deposited from your paycheck to your account without you even having to think about it. It doesn't get much easier than that.

Tax Savings

You can defer paying income tax on up to \$20,500 that you save in a 401(k) plan in 2022. A worker in the 24% tax bracket who saves this amount could reduce their tax bill by \$4,920. Income tax won't be due on this money until it is withdrawn from the account. Workers who earn less than \$34,000 in 2022 (\$68,000 for couples) might additionally qualify for the saver's credit, which is worth between 10% and 50% of 401(k) contributions up to \$2,000 for individuals and \$4,000 for couples. The biggest saver's credits go to workers with the lowest incomes.

Savings on Top of Savings

Employees who are age 50 and older are eligible to contribute an additional amount (called a catch-up contribution) to 401(k) plans. The 401(k) catch-up contribution limit is \$6,500 in 2022. That means older workers can defer paying income tax on up to \$27,000 in a 401(k) account. As a result, someone in the 24% tax bracket could potentially reduce their current tax bill by \$6,480.



Free Money Courtesy of the Employer Match

If you can't max out your 401(k), you can always save at least enough to get a full 401(k) employer match (subject to your plan's vesting rules). A 401(k) match of 50 cents for each dollar you save in the 401(k) plan up to 6% of pay is a 50% return on your investment. A dollar-for-dollar 401(k) match doubles your money. That's a pretty excellent return despite the market volatility occurring these days!

Your Money Goes Where You Go

If you leave your employer for any reason, you can take your vested balance (including the employer match) with you. It's fully portable, and you can roll it into an individual retirement account or a new employer's 401(k) plan (if allowed).

Account Management Made Easy

Your recordkeeper provides you with comprehensive account access where you can view your balance, perform transactions and talk to a call center representative for guidance. On top of that, you can view retirement planning education materials and calculators, and likely even model various saving scenarios and assumptions to help gauge your progress toward retirement readiness. The stock market will always have its ups and downs... but in the end, your 401(k) is your partner for life!

This material is provided solely for informational purposes and does not constitute investment, tax, legal or accounting advice on the matters addressed. Neither Pentegra Services, Inc., its subsidiaries, nor any of their respective employees intend that this material should be relied on as investment advice, which should be sought from a professional advisor. Performance information shown reflects past performance and does not indicate or guarantee future investment results. Current and future results may be lower or higher than those shown. ©2023 Pentegra Retirement Services



701 Westchester Ave, Suite 320E, White Plains, New York, 10604