



Retirement Plan Basics Guide

Workplace retirement plans are one of the most powerful benefits offered by employers. But the details can be confusing: contribution limits, Roth vs. Traditional, employer matches, and different investment options. This guide will give you the foundational knowledge you need to feel more confident in understanding how your plan works.

Important: This guide is for educational purposes only. It is not investment, tax, or legal advice. For personalized guidance, consult a licensed professional.

1. What Is a Retirement Plan?

Workplace retirement plans such as 401(k), 403(b), and 457 plans allow employees to save and invest for retirement through payroll deductions. These accounts often provide tax advantages, employer contributions, and a structured way to build long-term savings.

Key takeaway: Retirement plans combine your savings, potential tax benefits, and in many cases employer contributions to help you prepare for the future.

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2. Contributions and Matches

You can choose to contribute a percentage of your paycheck into your plan. Many employers add a match, such as contributing 50 cents for every dollar you put in up to a certain limit. The IRS sets annual maximums for how much you can contribute.

Key takeaway: Not contributing enough to capture your employer's full match could mean missing out on additional money for your future.

3. Traditional vs. Roth Contributions

● **Traditional contributions:**

Made with pre-tax dollars. Taxes are paid later when funds are withdrawn.

● **Roth contributions:**

Made with after-tax dollars. Withdrawals may be tax-free in retirement if certain rules are met.

Key takeaway: The choice between Roth and Traditional impacts when you pay taxes. Knowing the difference helps you make informed decisions with your advisor.

4. Vesting

Vesting refers to how much of your employer's contributions you own at different points in time. Some employers give you full ownership immediately, while others have a schedule where ownership builds gradually.

Key takeaway: Understanding your vesting schedule tells you how much of your employer's contributions you'll keep if you change jobs.

5. Investment Options in Plans

Most retirement plans offer a menu of investment choices. Here are some common categories:

- **Stocks (Equities):**

Shares of companies that provide growth potential but also higher short-term risk.

- **Bonds (Fixed Income):**


Loans to governments or corporations that are generally less volatile than stocks but still carry risk.

- **Stable Value Funds:**

Conservative options aiming to preserve principal and deliver steady, modest returns.

- **Money Market Funds:**

Very low-risk, low-return investments designed for capital preservation.

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- **Index Funds:** Track a market index such as the S&P 500, offering broad exposure with typically lower fees.

- **Target Date Funds:** Adjust automatically over time to become more conservative as the target retirement year approaches.

- **Balanced Funds:** Maintain a fixed mix of stocks and bonds, such as 60/40.

- **Size and Style Funds:** Large-, mid-, or small-cap companies, and growth vs. value investing.

- **International and Sector Funds:** Provide exposure to foreign markets or specific industries.

Key takeaway: Each option carries different risks and rewards. The right mix depends on your personal goals, timeline, and risk tolerance, which is why consulting with a licensed professional can help.

6. Fees


All retirement plans involve some costs, such as administrative fees or investment management fees. Even small fees can reduce savings growth over time.

Key takeaway: Reviewing your plan's fee disclosures helps you understand what you are paying for and how it affects your account.

7. Withdrawals and Loans

- **Withdrawals:** Taking money out before age 59½ may result in taxes and penalties.
- **Loans:** Some plans allow you to borrow against your balance, but unpaid loans can reduce long-term savings.

Key takeaway: Retirement accounts are designed for the long term. Early withdrawals or loans should be considered carefully.

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8. Beneficiaries and Estate Planning

Every plan allows you to designate beneficiaries who will receive your account if something happens to you. These should be reviewed after life changes like marriage, divorce, or the birth of a child.

Key takeaway: Keeping beneficiary information up to date ensures your savings go where you intend.

Putting It All Together

Your retirement plan is a valuable benefit, but understanding how it works is key to making the most of it. By learning the basics, you'll be better prepared to:

- Take advantage of employer contributions
- Understand how your money is invested
- Avoid common mistakes
- Ask better questions of licensed professionals

If you need help making choices, we can connect you with a licensed professional in our network who can provide personalized advice.

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