Retirement Plan Basics

Start Saving Today. Build Confidence for Tomorrow.

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Your employer's retirement plan is a valuable benefit designed to help you save for the future. Whether retirement is decades away or just around the corner, understanding your plan can help you make informed decisions and take meaningful steps toward your future.

What is a retirement plan?

A workplace retirement plan is designed to help you set aside money for retirement through convenient payroll deductions. Depending on your plan, you may be able to contribute on a pre-tax basis, a Roth after-tax basis, or both. Your contributions are deposited into an individual account that is yours, subject to the plan's rules.

Why participate?

Participating in your employer's retirement plan can make saving simpler and more consistent. Contributions are typically deducted directly from your paycheck, which can help you build a disciplined savings habit over time.

Your plan may also offer tax advantages. Pre-tax contributions can lower your taxable income today, while investment earnings generally grow tax deferred until you take a distribution. If Roth contributions are available, those contributions are made after tax and may allow for tax-free qualified withdrawals in retirement.

How much can you contribute?

For 2026, the IRS employee contribution limit for most 401(k), 403(b), governmental 457 plans, and the federal Thrift Savings Plan is $24,500. Participants age 50 and older may be eligible to contribute an additional $8,000 in catch-up contributions, if permitted by the plan. Participants ages 60 through 63 may be eligible for a higher catch-up contribution limit of $11,250, if permitted by the plan.

Your plan may have additional rules or limits, so it is important to review your plan materials or contact your plan representative before making changes.

What about employer contributions?

Some employers offer matching or other employer contributions to help employees save more for retirement. If your plan includes an employer contribution, it can be a meaningful way to grow your retirement savings over time. Employer contributions may also be subject to a vesting schedule, which determines how much of those contributions you are entitled to keep if you leave the company.

What happens if you leave your employer?

If you change jobs or retire, you may have several options for your retirement plan account. Depending on your plan and your situation, you may be able to leave your money in the current plan, roll it into a new employer's plan, roll it into an IRA, or take a distribution. Each option has different considerations, including fees, investment choices, taxes, withdrawal rules, and potential penalties.

Before making a decision, consider speaking with a financial professional to understand which option may fit your needs.

A few key things to remember:

- **Start where you are.** Even small contributions can help build momentum over time.
- **Review your contribution rate regularly.** Consider increasing your savings when your budget allows.
- **Understand your investment choices.** Your plan may offer a range of investment options based on different goals, timelines, and risk levels.
- **Know the rules before taking money out.** Loans, withdrawals, and early distributions may have tax consequences, fees, or penalties, depending on your plan and circumstances.
- **Ask questions.** Your retirement plan is an important part of your overall financial wellness.

Experience the Power of Partnership

Questions about your retirement plan? Contact your Henderson Brothers Financial Partners consultant today.

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Schedule a 1-1 meeting:

Sources:
1. RPAG Resource Center –" Retirement Plan Basics" and "Financial Wellness 101 – Retirement Plan Facts" (login required via https://app.rpag.com/pmprichui/login).
2. Internal Revenue Service (IRS), Retirement Topics: 401(k) and Profit-Sharing Plan Contribution Limits. https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-401k-and-profit-sharing-plan-contribution-limits