

## Five ways to maximize your 401(k) benefits

There's never a bad time to learn what you can do to maximize the tax benefits you receive from participating in an employer-sponsored 401(k) plan. We offer these five easy tips to ensure you're making the most of your workplace retirement plans.



<b>1. Take advantage of maximizing your contributions</b>	Since 401(k) plans are funded with pre-tax dollars, it's a great way to lower your taxable income. Making the maximum contribution — or any contribution amount—could put you into a lower tax bracket which will allow you to keep more of your paycheck. Studies have shown that as little as 10% of those participating in a 401(k) actually max out their contributions, so there is plenty of room for most employees to get a bit more aggressive with their retirement savings. Plus, you'll reap the rewards when it's time to retire.
<b>2. Get the credit you deserve</b>	Depending on your income and filing status, contributions to a qualified 401(k) plan could help to lower your tax bill even further by utilizing the Saver's Credit (aka the Retirement Savings Contributions Credit). The Saver's Credit directly reduces your taxable income by a percentage of the amount you contribute to your 401(k) plan. Those who meet eligibility requirements can take a tax credit of up to \$2,000 annually if filing jointly, per the IRS.
<b>3. Become "Roth" friendly</b>	As you build your nest egg, keep in mind that you can lower your taxes at retirement with a Roth 401(k) Plan. A Roth 401(k) can offer a different way to strategically save for your retirement. Rather than contributing on a tax-deferred basis, which means you will pay taxes when you withdraw money from your employer's 401(k) plan, a Roth 401(k) allows you to save for retirement on an after-tax basis. This means you will pay taxes on the amount you save today, but your investment earnings grow tax-free.
<b>4. Avoid withdrawals</b>	We all feel the money pinch from time-to-time, but any withdrawal from a 401(k) can carry hefty tax consequences. If you withdraw money from your plan before age 59 1/2, you will likely pay a 10% federal penalty on top of the 20% of your withdrawal that will be withheld as an advance on your tax bill. Additionally, some employers "penalize" employees who withdraw from their plans by not allowing them to contribute for six-months or more, causing another impact on your retirement savings.

## **5. Resist the temptation to borrow against your 401(k) plan**

A 401(k) loan is “the loan of last resort.” No one said it would be easy to save for retirement, but don’t take the easy way out when money gets tight. By taking a loan from your 401(k) plan, you risk paying more in penalties than it’s often worth. For example, a 401(k) loan must be repaid with after-tax dollars, offsetting many of the tax benefits of having the plan. Additionally, if you leave your job and are unable to repay the loan in full, the balance is deemed a withdrawal which may trigger a tax bill and potentially a 10% penalty as well. Remember, a 401(k) plan is designed to help you achieve your dreams when you retire, so don’t spend it now and be sorry later.

### **Where do I turn for help?**

Understanding how to maximize your 401(k) plan can be complex. Working with an H&H financial planner or tax professional can help you make informed decisions and ensure you are ready for retirement when the time is right.



hooker & holcombe

65 LaSalle Road  
West Hartford, CT 06107  
860.521.8400

Learn more at:  
[hhconsultants.com](http://hhconsultants.com)

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