

Retirement Plan Basics

Ten things to know about your employer's retirement plan.

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| 1 | What it is: Your employer's retirement plan is a defined contribution plan designed to help you finance your retirement. Federal and sometimes state taxes on your contributions and investment earnings are deferred until you receive a distribution from the plan (typically at retirement). |
| 2 | Why they call it a 401(k): The 401(k) plan was born more than 40 years ago, under Section 401(k) of the Internal Revenue Code, hence, 401(k). |
| 3 | You decide: You decide how much to contribute and how to allocate your investments. This gives you the advantages of easy diversification – a well-balanced mix of investment choices and dollar-cost averaging by making regular investments over time. |
| 4 | It's easy: You contribute your pre-tax dollars and lower your taxable income by making automatic payroll deductions. It's a simple method of disciplined saving! |
| 5 | Know your limits: In 2025 you can save up to \$23,500 of your pre-tax dollars. If you are age 50 or older, you can save an additional \$7,500. |
| 6 | “Free” money: Many employers will match some of your contributions – great incentive to contribute to the plan. |
| 7 | Vesting: Should your employer make a matching contribution, vesting refers to the percent of your employer contributions that you have the right to take with you when you leave the company. |
| 8 | Borrowing: Some plans allow you to borrow a percentage of your account value. Keep in mind that you have to make regular payments plus interest on the loan. |
| 9 | Early withdrawals: You may be able to take a lump-sum payment before you retire, generally for emergencies (hardships) only. You'll pay a 10% penalty and federal and state income taxes. While this is good for emergency situations, your retirement plan is a retirement savings fund – not a rainy day fund. |
| 10 | Leaving the company: We can discuss your 401(k) plan options if you plan to change companies or exit the workforce. You typically have four options (and may engage in a combination of them). You may leave the money in your former employer's plan, if permitted; roll over the assets to your new employer's plan, if permitted; roll over to an IRA; or cash out the account value. Both employer plans and IRAs typically involve investment-related expenses and plan or account fees. Investment-related expenses may include sales loads, commissions, the expenses of any mutual funds in which assets are invested and investment advisory fees. Plan fees typically include plan administrative fees (e.g., recordkeeping, compliance, trustee fees) and fees for services such as access to a customer service representative. In some cases, employers pay for some or all of the plan's administrative expenses. An IRA's account fees may include, for example, administrative, account setup and custodial fees. |

Let's discuss the opportunities in your employer's retirement plan.

Asset allocation and diversification do not guarantee a profit nor protect against loss. Dollar-cost averaging does not assure a profit and does not protect against loss. It involves continuous investment regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases through periods of low price levels. This material is general in nature and provided for informational purposes only. Raymond James and your Raymond James financial advisor do not provide tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

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