



401(k) Definition

A 401(k) plan is an employer-sponsored retirement savings plan where an employee can make contributions from his or her earnings before paying taxes. Please note a Roth 401(k) provides different benefits which are not discussed in this document.

401(k) Contribution Information

- 401(k) contributions must be made in a specific person's name and cannot be a joint account.
- Employees may choose from specific funding vehicles that are offered under the plan.
- Employers may match the employee's contributions up to a certain percentage.
- Employer contributions may be subject to a vesting schedule. A vesting schedule covers the period necessary for an employee to receive the entire company contributions. If employment terminates before the vesting period ends, the company may not be required to pay 100% of the company contribution.
- Employee *Elective Deferrals* are the amount an employee decides to contribute to a 401(k) plan.
- Employer *Discretionary contributions* are the amount an employer decides to contribute for the employee's benefit. These contributions are not included in the employee's gross income.
- If 401(k) contributions in any given year exceed the allowable annual limit, the overage is not part of the 401(k) plan and is included in your taxable income.

2021 Individual 401(k)

401(k) Maximum Annual Employee Contribution Limit Under Age 50	\$19,500
401(k) Maximum Annual Employee Contribution Limit at Age 50 or Older	\$26,000
Annual Combined Employer/Employee Maximum Limit Under Age 50	\$58,000
Annual Combined Employer/Employee Maximum Limit at Age 50 or Older	\$64,500
Employer Maximum Contribution	Up to 25% of Compensation

401(k) Tax Information

- Employer and employee pre-tax contributions to your 401(k) are **not** subject to federal income tax until withdrawn.
- Contributions are **not** required to be shown as income on Form 1040 of your Income Tax Return.
- Contributions to your 401(k) **are** reported on Form W-2, or your Wage and Tax statement.
- In most 401(k) plans, generally you must begin taking Required Minimum Distributions starting at the later of age 72 or your termination of employment, whichever is later.

Withdrawal & Distribution Information

- Withdrawals or distributions, including interest earnings, are generally considered **taxable** income when taken.
- Some 401(k) plans provide the option to borrow money from the plan in the form of loans. The loans are **not** taxable if they meet specific criteria. For further details please contact your plan administrator.
- Generally, account distributions **cannot** be made until one of the following occurs:
 - You pass away, become disabled, or otherwise have a severance from employment.
 - The plan terminates, and no new plan is established or maintained by the employer.
 - You reach age 59½ or incur a financial hardship.
- Withdrawals taken before age 59 ½ **may** be subject to a 10% federal additional tax. For further details go to: www.irs.gov.

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