401(k): What it is, How it Works, Pros, and Cons

General Financial Education and Vocab · https://community.womensmoneymatters.org/resources/401k-what-it-is-how-it-works-pros-and-cons/

Link:

The Investopedia article on 401(k) plans explains that a 401(k) is a tax-advantaged retirement savings account offered by employers. It allows employees to contribute a portion of their paycheck before taxes, with earnings growing tax-deferred until withdrawal. The article outlines two major types of 401(k) plans: traditional and Roth. Traditional 401(k) contributions are made pre-tax, while Roth 401(k) contributions are made after-tax, allowing for tax-free withdrawals in retirement. The piece highlights contribution limits, employer matching options, and the importance of 401(k) plans in retirement planning, encouraging individuals to take advantage of these benefits for long-term financial security.