

Employer Matching – How to Make the Most of Your Plan



Many defined contribution plans include a provision known as employer matching. This provision indicates that your employer contributes a certain amount to your retirement savings plan based on your personal contribution. According to SEC Guidelines, individuals can contribute up to \$23,000 into their 401(k) for 2024. When combined with employer matching, the cap comes to \$69,000 per year. Additionally, if you are over the age of 50, you are allowed to defer an extra \$7,500 annually as a “catch-up contribution.”

Understanding your employer’s vesting schedule is crucial, as it determines your ownership of employer contributions based on your length of service with the organization. If you are terminated or leave the plan before you are fully vested, contributions made by your employer can be forfeited based on this schedule.

Employers use various match formulas to determine their contribution, but we have highlighted three common scenarios that show the importance of knowing the facets of your retirement plan.

Example 1: 100% Match on Contributions Up to a Percentage of Salary

- Dollar-for-dollar matching: If you earn \$50,000 and your employer matches up to 6% of your salary, they will contribute \$3,000 if you contribute \$3,000.
- If you contribute \$4,000, the employer will contribute \$3,000 (the maximum matching amount).
- If you contribute \$2,000, the employer will contribute \$2,000, matching your contribution dollar-for-dollar.

Example 2: 50% Match on Contributions Up to 6% of Salary

- If you earn \$50,000 and contribute \$3,000 (which is 6% of your salary), your employer will add \$1,500 (50% of your contribution).

Example 3: Match Up to a Certain Dollar Amount

- The employer will match up to \$5,000. This cap applies regardless of your salary.
- If you contribute \$4,000, the employer will match \$4,000.
- If you contribute \$6,000, the employer will still only match \$5,000.

Sources : [Investopedia Personal Finance](#)

For more information on retirement planning, please contact Fiduciary Pension Partners at (833) FPP-401k or email us at info@fiduciarypp.com.

This material was created to provide accurate and reliable information on the subjects covered but should not be regarded as a complete analysis of these subjects. It is not intended to provide specific legal, tax or other professional advice. The services of an appropriate professional should be sought regarding your individual situation. The “Retirement Times” is published monthly by Retirement Plan Advisory Group’s marketing team. This material is intended for informational purposes only and should not be construed as legal advice and is not intended to replace the advice of a qualified attorney, tax adviser, investment professional or insurance agent. (c) 2021. Retirement Plan Advisory Group. Fiduciary Pension Partners is not affiliated with Retirement Plan Advisory Group but subscribes to its annual services offering. Fiduciary Pension Partners is a registered investment adviser with its principal place of business in the State of New Jersey. Registration does not imply a certain level of skill or training.