

Employer Matching – How to Make the Most of Your Plan

Many defined contribution plans include something called employer matching, meaning that your employer contributes a certain amount to your retirement savings plan based on your personal contribution. In 2024, individuals can contribute up to 23,000 into their 401(k) according to SEC guidelines, but, when combined with employer matching, the cap comes to 69,000 per year. If you are over 50, you are allowed to contribute an extra 7,500 a year as “catch up.” It is also important to be aware of your employer's vesting schedule which dictates your ownership in employer contributions based on years of employment – if you are terminated, 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: Match 100% of contributions up to a percentage of your total compensation

- Dollar-for-dollar matching where, if you make \$50,000 and they contribute up to 6% of your salary, they will add in \$3,000 if you contribute 3,000.
- If you contribute 4,000, they only add 3,000.
- If you contribute 2,000, they add 2,000, not 3,000.

Example 2: Match 50% of contributions up to 6% of salary

- If you make 50,000 and contribute 3,000, which is 6% of your salary, your employer adds in 1,500.

Example 3: Match up to a certain dollar amount

- Will match up to 5,000. This means, that even if you are making 20,000 vs 80,000, the maximum amount you get in matching contribution is 5,000.
- If you contribute 4,000, your employer only contributes 4,000.

We will leave you with this: If you are not making annual contributions to your retirement account, you are missing out on employer additions to your accounts.

Sources :

<https://www.investopedia.com/articles/personal-finance/112315/how-401k-matching-works.asp#:~:text=Employer%20matching%20of%20your%20401%20%28k%29%20contributions%20means,be%20matched%20by%20employer%20contributions%20in%20several%20ways.>

Please access your retirement plan provider's website or consult with Brody Ledingham at 978.817.2858.