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How to optimize your company pension plans

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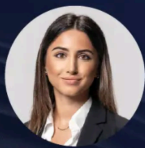

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Long-term financial planning is a crucial step towards a secure retirement and lasting economic security. Companies often offer tax-efficient pension plans and employee benefits, providing valuable protection for employees and their families. However, to make the most of them, it's important to understand how these plans work, and what your options are in the event of a change or loss of employment. This article provides an overview of deferred compensation plans, other retirement options and the main questions you may have.

Defined contribution plan (e.g. 401(k))

The 401(k) is a retirement plan where you, and sometimes your employer, make regular contributions. The amount of your retirement depends on your contributions and the performance of your investments. Some employers match all or part of your own contributions to your 401(k), increasing your retirement savings (called a "match"). When your employer offers you a match, it's important to contribute at least as much as you can. There are, however, limits on employee contributions. In 2024, this is $23,000 a year for people under 50, and $30,500 a year over 50.

Traditional 401(k) vs. Roth 401(k)

Traditional 401(k) contributions are made with pre-tax money, while Roth 401(k) contributions are made with after-tax money. There are withdrawal options. Withdrawals made after age 59 1/2 are penalty-free. Withdrawals made before age 59 1/2 generally incur a 10% penalty, with exceptions such as first-time homebuyers up to $10,000, disability, birth or adoption expenses up to $5,000, death.

Pension plan

These plans guarantee a regular income at retirement, often based on your salary and years of service.

Deferred compensation plans

These plans allow you to defer part of your salary or bonus to retirement, offering short-term tax advantages.

Other pension plans

Some employers offer additional options such as IRAs (Individual Retirement Accounts), Roth accounts or non-qualified plans.
The two most common options for using these plans are the creation of a supplementary pension for the rest of your life, or a partial capital withdrawal.

Taxation

Retirement plans offer tax advantages, but withdrawing funds before age 59-1/2 generally entails tax penalties. You can start withdrawing funds without penalty after this age to finance your retirement. Withdrawals from traditional 401(k) retirement accounts are generally taxable, unlike a Roth 401(k). If you have a Franco-American career, you'll need to find out about tax treaties between France and the United States to avoid double taxation.

(Portability of your 401(K

.(In the event of job loss or resignation, you can keep or transfer your 401(k) to an IRA, or to your new employer's 401(k

By understanding the different retirement options offered by your employer, you can better prepare for your financial future. Whether through deferred compensation plans or by optimizing the portability of your benefits, proactively managing your finances will help ensure a smooth transition to retirement.

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