

Beginner's Guide
**TO STARTING
A 401(K)**

401(K)

What It Is, Why It Matters, and How to Make It Work for You

Beginner's Guide to a 401(k)



If the term “401(k)” makes your eyes glaze over... you’re not alone.

But here’s the deal: your 401(k) could be the easiest way to become a future millionaire. without needing to win the lottery or start a business.

This mini guide breaks it down without the Wall Street jargon, so you can understand what a 401(k) is, how to use it, and why your future self will be very glad you started now.

What Is a 401(k)?



A 401(k) is a retirement savings plan offered by many employers.

- ✓ You put part of your paycheck into the plan, and it gets invested to grow over time.
- ✓ You don't pay taxes on the money you contribute, until you withdraw it
- ✓ Many employers match part of what you contribute (aka FREE MONEY)
- ✓ Your money grows tax-deferred until retirement

How It Works, Step by Step

- Enroll through your employer
- Pick how much of your paycheck you want to contribute (start with 5-10%)
- Choose your investments (target-date funds = easiest choice)
- Watch it grow over time, compound interest does the heavy lifting



Why You Should Care (Even if Retirement Feels 100 Years Away)



- Every dollar you invest now = \$7-\$10 later (thanks to compound growth)
- Your employer may match contributions – don't leave free money on the table
- You'll need hundreds of thousands (or more) to retire comfortably
- 401(k)s grow tax-deferred, meaning more money stays invested
- Starting early means you can invest less and still retire earlier

Traditional vs. Roth 401(k): What's the Difference?

Traditional 401(k)	Roth 401(k)
Pre-tax dollars now	Post-tax dollars now
Pay taxes when you withdraw	Withdraw tax-free later
Lowers your taxable income today	Great if you're in a low tax bracket now

✔ Many plans offer both, you can split contributions between them.



Rules to Know

- Contribution limit (2024): \$23,000/year if under 50
- Early withdrawal penalty: 10% + taxes if you take money out before age 59½
- You can roll it over to another retirement plan if you change jobs
- You don't need to be an expert investor — pick a target-date fund that aligns with your retirement age



Quick Start Checklist:

-  Check if your employer offers a 401(k)
-  Enroll and contribute at least enough to get the employer match
-  Choose a target-date fund or low-fee index fund
-  Increase your contributions gradually (1% at a time)
-  Don't touch it – let it grow

Final Thought:

- A 401(k) is one of the easiest, most powerful tools to build wealth over time.
- Start small, stay consistent, and let the power of time and compound growth do the rest.
- Because future-you deserves options – not stress.

