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401k Qualified Retirement Plan Summary at a Glance

What is a 401(k)?

It is an employer-sponsored retirement plan that allows employees to save for retirement with tax advantages. The name 401(k) comes from the IRS Code Section 401(k). Simple terms: it is a work sponsored retirement account that allows you to defer part of your salary into it and receive employer contributions towards the retirement account!

How does a 401(k) work?

***-Contributions:** You contribute a portion (Typically a %) of your wages to your individual 401(k) account, with a contribution limit of $23,500 for 2025, and an additional "catch-up" of $7,500 for those over age 50. Contributions can be made using "pre-tax" or "post-tax" wages, depending on your preference for tax purposes. Contributions are usually an automatic deduction from your paycheck.*

***-Matching:** A common example of employee contributions match is 100% of the first 3% of compensation and then 50% on the next 2%. Ex. Thomas makes $50,000 per year and elects to contribution 5% of his compensation. He will contribute $2,500 for the tax year, and his employer will contribute on his behalf, $2,000 which will mean for the tax year, $4,500 went to his personal 401(k) account!*

***-Investing:** The contributions to your account is invested in the stock market, commonly through Mutual Funds, which are a collection of investments in one fund. Typically, you will have several investment options and can choose to divide your funds by % or put all your funds into one fund. The goal is to have your investments grow over time through compounding returns!*

-***Vesting:*** *Is a schedule that determines how much of your individual 401(k) account balance is yours to keep. Your contributions are always full vested, meaning fully yours. It is your* ***employer*** *contributions that are subject to a schedule. Vesting schedules can differ based on the 401(k) plan chosen. Ex. A common vesting schedule is 2-6 years: Year 2-20%, Year 3-40%, and forth until Year 6 in which the employee becomes 100% vested. Separation of service always allows you to take your contributions, however the employer portion depends on vested %.*

-***Tax Advantages:*** *Tax benefits depend on which type of account is elected. Note, employer contributions are usually always Traditional (Pre-Tax). Traditional contributions are made with pre-tax dollars, meaning you can deduct contributions from your taxable income. Qualified withdrawals with this election come out as ordinary income, and Traditional 401(k)s are subject to Required Minimum Distributions (RMDs) at age 73. Roth contributions are made with after-tax dollars, meaning you cannot deduct the contribution from your taxable income, however qualified withdrawals come out tax-free in retirement, and have no RMDs.*

-***Withdrawals:*** *General Rules: withdrawals before age 59.5 are subject to 10% penalty and subject to income taxes. Once you reach age 59.5 you are free to access your account without any penalty, and the taxes depend on which type of account was elected (Traditional or Roth).*

Summary: *A 401(k) is a retirement account that is sponsored by an employer that allows them to contribute a portion of their wages and receive employer contributions as well, with the goal to invest those funds and have the* ***potential*** *to grow exponentially for the purposes of retirement. Only 59% of U.S adults have retirement savings and approximately 45% of Americans will run out of money in retirement per sources.*

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How can Centric Manage your 401(k)?

Employer:

Step 1: Centric team and employer make sure they are a good fit, presenting 401(k) plan options and agree on strategy.

Step 2: Employer signs Centric 401(k) agreement.

Step 3: Centric sets up company account with chosen 401(k) custodian and begins the process of meeting with employees to set up the personal 401(k) accounts, one by one.

Employee:

Step 1: Centric meets with each employee individually to go over risk profile and investment selections. Elections such as contribution %, investments, and tax status are chosen at this time.

Step: Centric sets up accounts according to the elections of Step 1 and employee can reach out at any time for consultation or review of account.

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Centric Wealth (Investment Management & Planning)

-Traditional brokerage accounts

-Individual Retirement Accounts: IRA, Roth IRA, SEP-IRA, and Simple IRA

-401(k), 403(b), 457s, and other employer sponsored accounts

-ESOPs, ESPPs, RSUs, SARs, and other stock plans

-Pension plans

-529s and other minor/child accounts

-Financial Life Plans

-A la carte financial planning: portfolio analysis, divorce analysis, business evaluation, and more

Centric Risk (Advanced Insurance & Annuities)

-Annuities (Fixed & Variable)

-Life

    -Term Insurance

    -Index Universal Life

-Premium Finance Life Insurance

-Disability

-Hybrid Disability and Life

Centric Capital (Alternative Investments)

-Private real estate funds

-Private opportunity funds