

401(k), 403(b) and IRAs

Moderate · 20 min to set up · Free to set up

YOU'LL NEED

- ☐ Your employer's plan information (the Summary Plan Description)
- ☐ For an IRA: an account at a bank, credit union or brokerage, and your Social Security number
- ☐ Your login for the plan website

WHAT TO KNOW

- 1 Ask HR whether there's a plan, when you can join and whether there's a match.** Federal law lets plans require you to be 21 with a year of service first, but many let you in sooner, and part-timers who work 1,000 hours a year may qualify.
- 2 Get the full match.** Your employer may match a percentage of what you put in. Contributing less than the match leaves part of your pay on the table. See Choosing your benefits for a worked example.
- 3 Choose pre-tax or Roth, if your plan offers both.** Pre-tax 401(k) contributions go in before tax, and withdrawals are taxed later. Roth 401(k) and Roth IRA contributions go in after tax, and qualified withdrawals, after 59½ and at least five years in the account, are tax-free. You can split between the two, as long as the total stays under the limit.
- 4 Check the vesting schedule.** Your own contributions are always 100% yours. The employer's match may take up to 3 years (cliff) or 6 years (graduated) to be fully yours.
- 5 Pick your investments.** If you were enrolled automatically and don't choose, your money goes into a predetermined investment. Look up what it is and what it charges. See Index funds and fees.
- 6 No plan at work, or want more?** Open an IRA. For 2026 you can put in up to \$7,500 total across traditional and Roth IRAs, but not more than you earned that year. Roth IRAs phase out for single filers with income between \$153,000 and \$168,000.
- 7 Check the Saver's Credit at tax time.** If you're 18 or older, not claimed as a dependent and not a full-time student, you can get a credit of 50%, 20% or 10% of up to \$2,000 you put into an IRA or workplace plan, depending on income. That's up to \$1,000 back. For 2026, the income limit is \$40,250 for single filers.

Watch out Taking money out before 59½ usually means regular income tax plus an extra 10% tax, unless an exception applies. On a \$1,000 withdrawal, that's \$100 on top of income tax. Build a separate emergency fund for surprises.

DAD NOTE *Never turn down a match. It's the only raise you can give yourself.*

Full lesson: aptkeys.com/money/investing-and-retirement/401k-403b-and-iras/

Checked October 2, 2026. Sources: Internal Revenue Service; U.S. Department of Labor.