

401(k): build your retirement engine

A practical path from your first payroll contribution to a retirement account you understand. Start with the employer match, choose investments intentionally, and create a routine you can sustain.

First, choose the right door

Employee: your employer chooses the 401(k) provider and investment menu. You generally cannot open your workplace 401(k) at whichever brokerage you prefer. Ask HR for the enrollment link, Summary Plan Description, fee disclosure, match formula and vesting schedule.

Self-employed: an owner-only business with no eligible employees other than a spouse may use a solo 401(k). Employee eligibility and related businesses can change the rules. Use the provider comparison later in this guide only after checking eligibility.

Changing jobs: compare leaving the money in the old plan, rolling it into an accepting new employer plan, or a direct rollover to an IRA. Cashing out is a separate, potentially costly choice.

Your first 30 minutes

- Find the plan through your employer's benefits portal. Avoid sponsored search links asking for retirement-account passwords.
- Write down salary, pay frequency, existing contribution rate, match and current account balance.
- Ask: When can I enroll? When does the match begin? Is there a year-end true-up? Must I be employed on a particular date to receive it?
- Identify essential expenses and required debt payments using the free DollarsWithDad budget planner. Choose a contribution that fits actual cash flow.

Your starting target

If affordable, contribute enough each paycheck to obtain the full employer match. Build accessible emergency savings alongside retirement saving so a routine repair does not force a withdrawal. High-interest debt may warrant attention before contributions above the match; your job stability and cash needs matter.

Reviewed October 3, 2026. Educational guidance, not an individualized investment or tax recommendation. Investments can lose value. Provider links are comparison starting points, not a guarantee of best results. Confirm plan rules and current IRS limits before contributing.



Enroll, fund and invest

Step 1: complete enrollment

Log in through the HR-provided portal. Confirm contact information, identity and beneficiary details. Choose a payroll contribution percentage or dollar amount. Select pre-tax, Roth, or a mix if offered. Save the confirmation and check the next two pay statements to confirm the election actually started.

Step 2: understand the tax choice

Pre-tax employee contributions generally reduce current federal taxable income; withdrawals are generally taxable. Roth contributions use after-tax pay; qualified withdrawals are tax-free. A lower current tax rate can make Roth attractive, while a higher current rate can make pre-tax attractive. Future rates are uncertain. State taxes and benefit interactions also matter.

Roth 401(k) contributions are different from Roth IRA contributions. Do not assume IRA income eligibility rules apply to a workplace Roth election. Employer contributions may have different tax treatment and vesting rules; ask the plan administrator.

Step 3: buy a portfolio, not a collection of guesses

A low-cost target-date fund near your anticipated retirement year can be a simple diversified starting point. Compare its stock allocation, expense ratio and whether risk continues changing after retirement. The year on the label does not guarantee sufficient retirement income.

If building your own mix, decide a stock/bond allocation you can tolerate, use broadly diversified funds available in the plan, and avoid duplicating the same holdings across many funds. A fund's past return is not a forecast. Company stock also ties investment risk to your employer and paycheck.

Step 4: confirm the dollars are invested

An account, a contribution election and an investment election are separate steps. Check both existing balances and future contributions. Read what the default investment is. Verify fund names, percentages totaling 100%, fees and beneficiaries.

The match in dollars

Suppose pay is $60,000 and the employer matches 50% of the first 6% you contribute. Your $3,600 annual contribution can earn $1,800, for $5,400 before returns. Over 24 paychecks that is $150 from you and $75 from the employer. Actual eligible compensation and timing depend on the plan. Leaving before vesting may forfeit some employer money; your own contributions are yours.



Brokerage options for the right account

For employees: use the assigned provider

Fidelity, Schwab and other companies administer workplace plans, but your employer determines access. A personal brokerage account does not substitute for payroll enrollment. If your plan offers a brokerage window, compare extra fees, restricted investments and the possibility of making the portfolio more complicated than necessary.

Fidelity: a solo 401(k) comparison candidate

Review Fidelity's self-employed 401(k). Useful to compare for owner-only businesses seeking self-directed investments. Read current plan features, Roth availability, contribution methods, fees and restrictions before choosing.

Opening sequence: confirm business and employee eligibility; gather taxpayer/business identification and beneficiary information; use the provider's account-opening instructions; complete the plan adoption agreement and account application; retain signed plan documents; link a permitted funding method; identify employee versus employer contributions; select investments. Opening an account does not determine your legal contribution limit.

Charles Schwab: another owner-only option

Review Schwab's Individual 401(k). Compare service access, available investments, Roth features, rollover acceptance and administration requirements.

Opening sequence: review eligibility and plan documents; complete the adoption agreement and participant account application using the current forms; provide business and personal information; submit through the listed secure channel; confirm acceptance; fund with properly identified contributions and choose investments. Ask what reporting remains your responsibility.

How to decide between them

Create a comparison with annual account cost, fund expenses, required paperwork, Roth support, loan availability, incoming rollover rules and customer service. Do not choose solely because a provider advertises zero commissions. A no-commission trade can still involve fund expenses, spreads or other fees.

If you employ eligible workers, use a small-business retirement specialist rather than forcing the business into an owner-only plan. Plan establishment dates, contribution deadlines and reporting depend on the circumstances. Check the IRS one-participant 401(k) guidance and obtain tax help before the deadline.



Avoid expensive retirement detours

Know the limits before increasing payroll deductions

Employee deferral limits can apply across employers. Track year-to-date contributions after changing jobs. Catch-up rules depend on age, year and eligibility; some higher earners face Roth catch-up requirements. Employer contributions have separate overall limits. Use the IRS contribution-limit resource rather than an old social-media chart.

Job change: use a direct rollover when appropriate

Get fee and investment details for the old plan, new plan and IRA before deciding. Compare creditor protections, access rules and services. Ask both institutions how the funds should be titled and sent. A direct rollover avoids treating the money as a check payable to you. A rollover of pre-tax money into Roth is generally a taxable conversion, not a tax-free administrative move.

Do not automatically roll employer stock, after-tax contributions or an account near a special withdrawal age without understanding the consequences. Keep rollover confirmations and tax forms.

Loans and early withdrawals

Borrowing from the plan can reduce invested assets and may create complications after leaving the job. A hardship withdrawal is not automatically exempt from an additional tax. Ask about repayments, fees, default consequences and alternatives before proceeding. Do not use retirement funds as a routine checking-account buffer.

Fees: small percentages become real money

On $100,000, an annual 0.05% fund expense is roughly $50; 1% is roughly $1,000 before other charges, assuming a constant balance. Compare similar investment exposures rather than treating all expensive and inexpensive funds as identical. Administrative charges can appear separately.

Your annual review

Review contribution rate, match, beneficiaries, asset allocation, investment expenses and old accounts. Consider increasing saving after a raise if cash flow permits. Rebalance on a deliberate schedule rather than after every headline. Use the free retirement planner to test retirement age and savings changes; its projections are illustrations, not promises.



Your 30 / 60 / 90-day action plan

First 30 days: activate the system

- Obtain the plan documents and write the full-match contribution rate: _____.
- Enroll, choose investments and beneficiaries, then verify the first deposit.
- Record current employee contribution: _____ per paycheck.
- Save the plan administrator's verified contact information.

By day 60: close the gaps

- Reconcile pay statements with the account's contribution history.
- List each investment and its expense ratio. Identify overlapping holdings.
- Confirm vesting, true-up and rollover rules. Resolve missing contributions with HR in writing.
- Build a cash buffer so short-term needs do not raid retirement savings.

By day 90: make progress automatic

- Schedule a contribution review after the next raise.
- Put an annual beneficiary and allocation review on the calendar.
- Run a retirement illustration using conservative assumptions and a lower-return scenario.

Questions to ask HR or your provider

“What percentage captures the full match? Does the match require contributions every paycheck? When do employer contributions vest? What are total annual fees? Which funds cover broad stock and bond markets? Who corrects excess contributions? What happens if I leave?”

Resources you can click

IRS: 401(k) plans · Investor.gov: investing basics · DOL: retirement plans and benefits · DollarsWithDad retirement planner

My next action: _____

Complete by: _____ **Review again on:** _____