Questions and answers about 401(k) plans

Building for your future

Q: What is a 401(k) plan?
A: A 401(k) plan is a qualified plan such as a profit sharing plan that contains a cash or deferred arrangement or 401(k) feature that allows participants to contribute salary deferrals on a pre-tax basis.

Q: What advantages are there to participating in a 401(k) plan?
A: Participating in a 401(k) plan is a great way to invest money for retirement. You can reduce your current income taxes and set aside money for your retirement at the same time. Since federal income taxes are calculated on your income after your retirement plan contribution has been deducted, you may pay less in federal income taxes. Most states also exempt 401(k) from state income taxation until distributed from the plan. Thus, you may actually have more spendable income than you would if you were contributing a comparable amount to a savings account where contributions and earnings are subject to current income tax rules.

Q: How do I make 401(k) contributions?
A: 401(k) contributions are made through salary deferral. When you sign up to participate in your employer’s 401(k) plan, you will complete a form telling your employer how much you would like to contribute based on the limits determined by your employer’s plan. Deductions will be made from your paycheck and placed in a 401(k) account for you.

Q: How much of my compensation can I contribute to a 401(k) plan?
A: For the 2011 calendar year, you may contribute $16,500. This amount will be adjusted for inflation as needed in future years. Additional deferral amounts for participants 50 years and older are available through “catch-up” contributions. Check with your plan administrator to see if your plan allows “catch-up” contributions.

Q: How can I change the amount that is contributed to my 401(k) account?
A: Notify your employer that you would like to change your salary deferral amount. You may increase or decrease your contributions periodically according to your employer’s plan.

Q: When can I withdraw my 401(k) contributions?
A: Like other retirement plans, a 401(k) plan is intended to be a long-term retirement investing vehicle. As a result, withdrawals are allowed when you reach age 59½, terminate employment, retire, die, become disabled or experience a financial hardship (if allowed by your plan.) Withdrawals, both contributions and earnings, will be subject to ordinary income taxes in the year in which you receive the money. Withdrawals prior to age 59½ may also be subject to a 10 percent IRS tax penalty. In addition, you may also borrow from your account if loans are allowed by your plan. Your plan administrator can answer your questions regarding plan loans.


Q: What options are available when I terminate employment or retire?
A: When you terminate employment or retire, depending on your account balance, you may keep your money in the plan, transfer or roll it over to another eligible retirement plan or Individual Retirement Account (IRA), receive the money in a lump sum or select annuity payments (if allowed by your plan.)

Q: Can I roll over money from an existing IRA or retirement account into my 401(k) account?
A: Regulations regarding rollovers may limit the ability to roll assets from one plan to another. However, tax law changes have made consolidating retirement assets easier than ever. Please check with your employer or call 1-800-249-6269 for more information.

Q: How do I obtain information about my account?
A: You will receive a personalized account statement each quarter. Additionally, you can also check your account online at www.accountservices.aul.com or through OneAmerica TeleServe®, an interactive voice response system, at 1-800-249-6269. These services provide up-to-date information about your account balance, contributions, investment performance and other account data.

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