

# Employer Contributions

## Match -

Employer Matching of your 401(k) contributions means that your employer contributes a certain amount to your retirement savings plan based on the amount of your own annual contribution. The most common way employers determine matching contributions is to match a percentage of an employee's contribution, up to a certain limit.

For example, you earn \$30,000 a year and work for an employer that has a matching 401(k) plan. The match is 50 cents on the dollar up to 6 percent of your salary. Each year, you contribute 6 percent of your salary (\$1,800) to the plan and receive a matching contribution of \$900 from your employer.

The specific terms of each 401(k) plan varies widely and are determined by the employer sponsoring the plan. (All plans have regulations dictated by the Employee Retirement Income Security Act (ERISA) ) You will need to refer to the terms of your plan to verify if and when your employer makes matching contributions.

Employer match is essentially free money provided by your employer. Be sure you know the matching policy of your plan so you can maximize the funds you receive from your employer.

## Profit Sharing -

Some plans may offer employer contributions from the company profits. This allows the employer each year to determine how much to contribute to the plan (out of profits or otherwise) in cash or employer stock. The plan contains a formula for allocating the annual contribution among the participants. If a plan is a profit sharing plan it will be written in the plan document.

### Key Information

- All Employer Contributions are discretionary and may change from year to year
- Employer Contributions are pre-tax. You do not pay tax on the contributions until they are removed from the plan
- Employer Contributions are subject to the plan's **vesting** schedule. Your ownership of the funds can be based on years of active employment
- Specific details on Employer Contribution formulas should be referred to the Sponsor of the plan (your employer)

Still have questions? [Contact Us](#)