

Name \_\_\_\_\_

## Discovering the Magic of 401(k) Accounts: Your Key to a Secure Future

### Short Answer Key

1. 401(k) contributions reduce your current taxable income because they are made with pre-tax dollars.
2. Employer matching contributions are contributions made by your employer to your 401(k) account, typically based on a percentage of your own contributions. They are beneficial because they provide free money added to your retirement savings.
3. One potential drawback of 401(k) accounts related to investment risk is that the value of your account can be subject to market fluctuations depending on the investments you choose.
4. Automatic savings through 401(k) contributions make it easy to save consistently without thinking about it because the contributions are deducted automatically from your paycheck.
5. A 401(k) account can be challenging for accessing funds before retirement because it is primarily intended for retirement savings, and withdrawing money early may result in penalties and taxes.

