

A 401(k) plan is an employer-sponsored retirement account that allows employees to contribute a portion of their paycheck to save for retirement. Employees can choose to make contributions on a pre-tax basis (traditional 401(k)) or an after-tax basis (Roth 401(k)). Employers often match a portion of these contributions, providing an additional incentive for employees to save for retirement. The plan offers tax advantages, but there are restrictions and penalties if money is withdrawn before age 59 1/2.