

Darcy Bergen Talks About the Pros and Cons of a Traditional 401k

PEORIA, AZ, UNITED STATES, September 14, 2020 /EINPresswire.com/ -- Darcy Bergen of Bergen Financial Group discusses 401k pros and cons with members and prospective investors. He wants such people to know exactly what they're getting into if they choose to save for retirement that way.

[Darcy Bergen wants prospective 401k](#) accountholders to know that there are ups and downs of signing up for traditional 401k accounts. These are some of the pros and cons he talks about.

The Pros of a 401k According to Darcy Bergen

Massive Tax Reductions

Darcy Bergen wants consumers to know that a traditional 401k plan can benefit them greatly during tax season. Their contributions come out of their paychecks before taxes, and that removes them from the part of the income that the IRS can tax. Theoretically, the contributions can put the members into a different tax bracket, which can qualify them for other credits and deductions.

Free Money From the Employer

Darcy Bergen says that one of the most favorable aspects of starting a 401k account is that many employers offer matching contributions. As long as employees keep contributing to their accounts, the employers will continue to match the contributions. Bergen says that the process is like receiving free money, and no one would be unhappy with that.

Low-Interest Loans

Darcy Bergen points out the low-interest loans as being another positive aspect of 401k account ownership. Some 401k plans permit participants to borrow from the plan. Generally, if permitted by your plan, you may borrow up to 50% of your vested account balance up to a maximum of



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\$50,000. The loan must be repaid within 5 years unless the loan is used to buy your main home.*

The Cons of a 401k According to Darcy Bergen

Caps on Contributions

[Darcy Bergen warns that](#) the government places a cap on the contribution amounts for 401k accounts. Account holders will only be allowed to contribute \$19,500 as of the year 2020, though employer contributions do not count toward this cap. Employees may be able to add up to \$6,500 to that if they are over the age of 65.

Restricted Withdrawals

Darcy Bergen says that the whole concept of the 401k account is for a person to save money until he or she is nearing retirement age. Therefore, the IRS has many rules regarding withdrawals. An account holder may take a withdrawal from a traditional 401k account only if the emergency meets IRS guidelines. Some 401k plans may allow a hardship distribution to pay for medical expenses, funeral expenses, or tuition and related educational expenses.** Otherwise, the funds will not be released until that person reaches the age of 59 ½. Access to funds is very limited in this type of retirement account. If one would like more access to the funds, that person may want to consider opening a high-yield savings account or an alternative financial account that allows more freedom.

Limited Investment Portfolio

Darcy Bergen also mentions that investment portfolio options are usually limited when a person opens a traditional 401k. The employer usually chooses an investment firm, and thus the individual is limited to investments that may not meet his or her specific needs. There are some alternatives to opening a traditional [401k, however. Darcy Bergen](#) can explain the alternative retirement savings options to prospects so that they can choose the one that fits their lifestyle and requirements.

Interested persons can visit bergenfinancialgroup.com for additional information about retirement accounts and the various alternatives they have when choosing the right one for themselves.

*<https://www.irs.gov/retirement-plans/plan-participant-employee/401k-resource-guide-plan-participants-general-distribution-rules>

**<https://www.irs.gov/retirement-plans/401k-plan-hardship-distributions-consider-the-consequences>

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Caroline Hunter
Web Presence, LLC
+1 786-233-8220
[email us here](#)

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