



The 401(k) Strategy Guide

How to Maximize
Contributions, Manage
Taxes, and Use Special
Rules to Your Advantage

By Keith Demetriades, CFP®, CKA®
Kingsview Partners
(806) 223-1105
kingsview.com/keith-demetriades





Turning a Savings Plan Into a Retirement Strategy

For years, your 401(k) has been building in the background — steady contributions, employer matches, and tax-deferred growth, all working for you. At a certain point, however, it's time to consider more than just building your balance; you need to have a plan for that money.

A solid strategy means knowing how contributions, investments, withdrawals, and even special rules like the Age 55 Rule fit together to create income and flexibility in retirement.

The Power of a 401(k) in Retirement Planning

A 401(k) offers a disciplined way to save. Automatic contributions, tax-deferred growth, and employer matches make it hard to beat as a long-term retirement vehicle. But its true value comes when you coordinate it with your larger financial plan. On its own, a 401(k) is a savings account. In context, it's the foundation for a flexible retirement strategy.

Planning Step: Use your plan's online calculator to project your 401(k) balance at retirement age. Then compare the result with your retirement goals. If there's a gap, increase contributions or review your investment choices to reinforce the foundation.

Contribution Strategies That Maximize Your Advantage

Contributing just enough to capture the employer match is a good start, but stopping there may leave opportunities on the table. The IRS contribution limits allow much more, and after age 50, catch-up contributions let you accelerate savings in your highest-earning years.

The key is balancing contributions with other accounts so your retirement income isn't locked into one tax treatment.

Planning Step: Review your current contribution rate. If you're only meeting the match, calculate what increasing contributions by even 1–2% would add over the next decade.

Investment Options and the Cost of Fees



The funds in a 401(k) usually come with built-in fees. They may look small, but those costs reduce your returns year after year. Over a long career, the difference can add up to thousands of dollars. That’s why it pays to compare your options: some funds cost more, while others come with lower fees and allow more of your growth to stay invested.

Planning Step: Pull your most recent 401(k) statement and look at the expense ratios of your top holdings. Explore whether there are lower-cost options within your plan.

Flexibility Through the Age 55 Rule

Most people assume you have to wait until 59½ to take money from retirement accounts without paying a penalty. The Age 55 Rule creates an exception. If you leave your job in or after the year you turn 55, you can take withdrawals from that employer’s 401(k) (or 403(b)) without the 10% early withdrawal penalty.

Here’s the catch: this only applies to the plan of the employer you just left. It does not apply to IRAs or to 401(k)s from earlier jobs. And while the law

removes the penalty, each employer sets its own rules for how withdrawals can be taken. Some allow flexible withdrawals; others may require lump sums or fixed installments.

For anyone retiring in their mid-to-late 50s, this rule can be a valuable bridge between a paycheck and other income sources like Social Security or pensions. But it only works if you understand the rules of your current plan before rolling funds elsewhere.

Planning Step: If you’re thinking about retiring or changing jobs between ages 55 and 59½, review your employer’s withdrawal options before deciding whether to roll over your 401(k).



When a Rollover to an IRA Makes Sense

While the Age 55 Rule can be useful, it’s only one factor in deciding whether to keep money in a 401(k) or move it to an IRA. IRAs often offer broader investment choices, potential cost savings, and the ability to consolidate accounts from multiple employers. They also give you more control over withdrawals once you reach retirement age.

The trade-off is flexibility in your 50s. If you roll your 401(k) into an IRA right after leaving your job, you lose access to the Age 55 Rule. That’s why timing matters. You may decide to leave some funds in your employer’s plan for penalty-free access and move the rest later when early withdrawals are no longer a concern.

Planning Step: Weigh your priorities — early access to funds, broader investment choices, lower fees, or account consolidation. Let those priorities guide whether you keep money in your 401(k), roll it over, or use a mix of both.



Taxes and Withdrawals in Retirement

A 401(k) gives you tax deferral, not tax freedom. Every withdrawal is taxed as ordinary income, and once you reach age 73 under current law, Required Minimum Distributions (RMDs) mean you'll have to take money out whether you want to or not. That can push you into higher tax brackets, especially if it stacks on top of Social Security, pensions, or other income.

The good news is that planning ahead lets you manage when and how you draw from your 401(k). By coordinating withdrawals with other income sources, you can smooth out taxable income year to year and keep more control over your retirement cash flow.

Planning Step: List the different income streams you expect in retirement — Social Security, pensions, part-time work, or others — and note which years they begin. Then layer in your 401(k) withdrawals to see how the timing affects your total taxable income.

Integrating Your 401(k) Into the Bigger Picture

Your 401(k) may be the foundation of your retirement savings, but it's not the whole picture. Taxable accounts, Roth IRAs, pensions, Social Security, and even real estate all contribute to financial flexibility. Coordinating your 401(k) with these other resources gives you control — allowing you to draw income in the most tax-efficient way and sustain your retirement lifestyle.

Planning Step:
Schedule an annual review
(on your calendar now)
to update your account
balances and income sources
so your coordination plan
stays current.

Making Your 401(k) Work for Real Life

A 401(k) can be the cornerstone of retirement savings, but it was never meant to stand alone. Its true value comes when it works alongside your other resources, giving you the flexibility to draw income where and when you need it. That's how a retirement account becomes more than numbers — it becomes a strategy for living well.

**Real Wealth Starts with
Real Life. Don't just plan the
numbers. Plan the life.**





KEITH DEMETRIADES, CFP®, CKA®

PARTNER | WEALTH MANAGER

321 NORTH BALLARD STREET, PAMPA, TEXAS 79065

KDEMETRIADES@KINGSVIEW.COM

KINGSVIEW.COM/PAMPA

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