# **MOST COMMON TYPES OF** RETIREMENT ACCOUNTS

### Individual Retirement Account (IRA)

Non-employer sponsored retirement account.

#### **Types**

Simplified Employee Pension (SEP)

Traditional

SIMPLE

Roth

# **Types**

**Employer-sponsored retirement** 

401K

401K (Regular or Roth)

account.

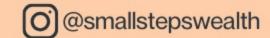
Solo 401K (Regular or Roth)

#### **Primary Benefits**

- Multiple investment options
- Tax-advantaged

#### **Primary Benefits**

- Eligible for employer contributions
- Tax-advantaged
- High contribution limits







## RETIREMENT ACCOUNTS: PROS & CONS

Type

#### Pros

#### Cons

Traditional IRA

- Reduces taxable income
- Eligible to everyone
- Multiple investment options
- · Can be self directed

- Low contribution limits
- No employer match
- Taxed upon withdrawal

Roth IRA

- Tax-free withdrawal
- · Early withdrawal allowed
- Can be self directed

- Low contribution limits
- Income limitations

401K

- Reduces taxable income
- High contribution limits
- Typically matched by employer

- Limited investment options
- Early withdrawal penalty
- Variable employer match
- Taxed upon withdrawal

Roth 401K

- Tax-free withdrawal
- High contribution limits
- Typically matched by employer

- Limited investment options
- Variable employer match
- · May not be offered by employer

Simplified Employee Pension (SEP) IRA

- High contribution limits
- Immediate vesting
- Easy to operate vs. 401K

- Taxed upon withdrawal
- Early withdrawal penalty
- No catch up contributions

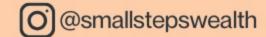
Simple IRA

- Reduces taxable income
- Easy to set up
- · Employer contributions

- Lower contribution limits vs. 401K
- Taxed upon withdrawal
- Early withdrawal penalty
- No Roth version

Solo 401K (Traditional and Roth)

- · Higher contributions
- · Can contribute as an employee and employer
- Limited investment options
- · Complicated to set up





## INDIVIDUAL RETIREMENT ACCOUNTS (IRA)

Description

Non-employer sponsored retirement account.

#### **Traditional IRA**

**Roth IRA** 

Contribution Type

Pre-tax

Post-tax

2024 Contribution Limits\*

Under age 50: \$7,000 | Over age 50: \$8,000

\*Contribution limits apply to combined Traditional IRA and Roth IRA. If you have both types of accounts, you cannot exceed the 2024 \$7,000 limit in total.

Withdrawal Age

Penalty-free earliest withdrawal age: 59.5 Must begin withdrawal by age 72 Penalty-free earliest withdrawal age: 59.5 Must begin withdrawal by age 72 Can withdraw contributions at any time

Tax Advantages

- Tax-deductible contributions
- Tax-deferred earnings growth
- Contributions and earnings grow tax free

**Best Suited For** 

- Those who do not have an employersponsored retirement account
- Those who expect to be in a lower tax bracket during retirement
- Those who have earned income
- Those who want to self direct

- Those who do not have an employersponsored retirement account
- Those who expect to be in a higher tax bracket upon retirement
- Those who make < \$161,000 as single filer and \$240,000 as joint filers





# INDIVIDUAL RETIREMENT ACCOUNTS (IRA) (CONT.)

For sole proprietors of a small business:

Simplified Employee Pension (SEP)
IRA

Only business owners can contribute.

Savings Incentive Match Plan for Employees (SIMPLE) IRA

Both employees and employers can contribute.

Contribution Type

Description

Pre-tax

2024 Contribution Limits\*

\$68,000 or 25% of employee salary (whichever is less)

Under age 50: \$16,000 Over age 50: \$19,500

Withdrawal Age

Penalty-free earliest withdrawal age: 59.5 Must begin withdrawal by age 72

Tax Advantages

- Tax-deductible contributions
- Tax-deferred earnings growth

**Best Suited For** 

- Businesses with < 100 employees</li>
- Those who want minimal overhead (vs. a 401K)
- Those who own a business and are the only employee
- Adjusting contributions quickly

- Small businesses with steady income
- Those businesses who want a simple retirement set up for their employees
- Those who want a limited overhead burden

## 401K

#### Description

Employer-sponsored retirement account, aptly named for the IRS code it is under.

#### **Traditional 401K**

#### Roth 401K

Contribution Type

#### Pre-tax

#### Post-tax

2024

**Employee** 

Employee + **Employer** 

**Employee** 

Employee + **Employer** 

Contribution Limits\*

Under age 50: \$23,000 Over age 50: \$30,500

Under age 50: \$69,000 Over age 50: \$76,500

Under age 50: \$23,000 Over age 50: \$30,500

Under age 50: \$69,000 Over age 50: \$76,500

\*Contribution limits apply to combined Traditional 401K and Roth 401K. If you have both types of accounts, you cannot exceed the 2024 limit in total.

Withdrawal Age

Penalty-free earliest withdrawal age: 59.5 Must begin withdrawal by age 72

Penalty-free earliest withdrawal age: 59.5 Must begin withdrawal by age 72 Can withdraw contributions at any time

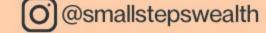
Tax Advantages

- Tax-deductible contributions
- Tax-deferred earnings growth

Contributions and earnings grow tax free

**Best Suited For** 

- Those who expect to be in a lower tax bracket during retirement
- Those who receive an employer match
- Those who expect to be in a higher tax bracket upon retirement
- Those who make < \$161,000 as a single filer and \$240,000 as joint filers
- Those with access to employersponsored Roth option





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SAVE FOR REFERENCE!

## 401K (CONT.)

#### **Solo Traditional 401K**

#### Solo Roth 401K

Description

Designed for business owners with no employees

Contribution Type

#### Pre-tax

Post-tax

**Employee** 

Employee + Employer

**Employee** 

Employee + Employer

2024 Contribution Limits\* Under age 50: \$23,000 Over age 50: \$30,500 Under age 50: \$69,000 Over age 50: \$76,500 Under age 50: \$23,000 Over age 50: \$30,500 Under age 50: \$69,000 Over age 50: \$76,500

\*Contribution limits apply to combined Traditional 401K and Roth 401K. If you have both types of accounts, you cannot exceed the 2024 limit in total.

Withdrawal Age

Penalty-free earliest withdrawal age: 59.5 Must begin withdrawal by age 72 Penalty-free earliest withdrawal age: 59.5 Must begin withdrawal by age 72 Can withdraw contributions at any time

Tax Advantages

- Tax-deductible contributions
- Tax-deferred earnings growth
- Contributions and earnings grow tax free

**Best Suited For** 

- Solo business owners
- Those who want to contribute a large sum to their retirement account each year (vs. IRA for small businesses)
- Those who do not mind additional administrative work vs. IRA
- Those who also want to contribute to their spouse as the exception to the rule



## OTHER TYPES OF ACCOUNTS

457b

- Designed for state or local governments or a tax-exempt organization.
- Typically similar to a Traditional IRA with pre-tax contributions but can be post-tax.

**2024 Contribution Limits:** < 50: \$23,000 | > 50 \$30,500

403b

- Offered by public schools and certain organizations
- Typically similar to a Traditional IRA with pre-tax contributions but can be post-tax.

**2024 Contribution Limits:** < 50: \$23,000 | > 50 \$30,500

**Health Savings Account (HSA)** 

- Account to save and invest for medical expenses
- Must have a High Deductible Health Plan to be eligible

**2024 Contribution Limits:** < 50: \$4,150 self, \$8300 family | > 50 \$5,150 self, \$9,300 family

## **TAKE ACTION**

- 1. Save the above guide for future reference!
- 2. Explore types of accounts you may benefit from
- 3. Analyze current contributions
- 4. Create a budget to:
  - a. Maximize your contributions
  - b. Open another tax-advantaged account
- 5. Share with others that may benefit

And always remember:

Earn, Save, Invest, Repeat!

