

MOST COMMON TYPES OF RETIREMENT ACCOUNTS

Individual Retirement Account (IRA)

Non-employer sponsored retirement account.

Types

Simplified Employee Pension (SEP)

Traditional

SIMPLE

Roth

Primary Benefits

- Multiple investment options
- Tax-advantaged

401K

Employer-sponsored retirement account.

Types

401K (Regular or Roth)

Solo 401K (Regular or Roth)

Primary Benefits

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



RETIREMENT ACCOUNTS: PROS & CONS

MORE COMMON

LESS COMMON

| Type | Pros | Cons |
|---------------------------------------|---|--|
| Traditional IRA | <ul style="list-style-type: none"> Reduces taxable income Eligible to everyone Multiple investment options Can be self directed | <ul style="list-style-type: none"> Low contribution limits No employer match Taxed upon withdrawal |
| Roth IRA | <ul style="list-style-type: none"> Tax-free withdrawal Early withdrawal allowed Can be self directed | <ul style="list-style-type: none"> Low contribution limits Income limitations |
| 401K | <ul style="list-style-type: none"> Reduces taxable income High contribution limits Typically matched by employer | <ul style="list-style-type: none"> Limited investment options Early withdrawal penalty Variable employer match Taxed upon withdrawal |
| Roth 401K | <ul style="list-style-type: none"> Tax-free withdrawal High contribution limits Typically matched by employer | <ul style="list-style-type: none"> Limited investment options Variable employer match May not be offered by employer |
| Simplified Employee Pension (SEP) IRA | <ul style="list-style-type: none"> High contribution limits Immediate vesting Easy to operate vs. 401K | <ul style="list-style-type: none"> Taxed upon withdrawal Early withdrawal penalty No catch up contributions |
| Simple IRA | <ul style="list-style-type: none"> Reduces taxable income Easy to set up Employer contributions | <ul style="list-style-type: none"> Lower contribution limits vs. 401K Taxed upon withdrawal Early withdrawal penalty No Roth version |
| Solo 401K (Traditional and Roth) | <ul style="list-style-type: none"> Higher contributions Can contribute as an employee and employer | <ul style="list-style-type: none"> 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

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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 employer-sponsored 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 employer-sponsored 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

Savings Incentive Match Plan for Employees (SIMPLE) IRA

Description

Only business owners can contribute.

Both employees and employers can contribute.

Contribution Type

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
- 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

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

- 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 employer-sponsored Roth option



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.

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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!

