



RETIREMENT PLAN INFO (401K'S & IRA'S)

401K'S

Benefits:

- 1- Employer matching
- 2- Higher contribution levels (*\$17,500 for under 50...\$23k for over 50*)
- 3- Contributions are pre-tax (*or "tax deferred"*)...lower taxable income
- 4- No income limits for contributions other than earned income must be greater than contribution

Negatives:

- 1- Normal distributions taxed as income
- 2- Forced distributions at 70 ½
- 3- Limited to employer fund availability

Traditional IRA's

Benefits:

- 1- Contributions are pre-tax (*or "tax deferred"*)...lower taxable income
- 2- You can pick the funds (*not limited by employer's fund managers*)
- 3- No income limits for contributions other than earned income must be greater than contribution

Negatives:

- 1- Normal distributions taxed as income
- 2- Forced distributions at 70 ½
- 3- Contribution limited to \$5,500 for under 50...\$6,500 over 50 (*earned income must be > contribution*)
- 4- Contributions may be limited by other contributions (*ie-401k*)
- 5- No employer matching

Roth IRA's

Benefits:

- 1- Normal distributions tax-free (*contributions & growth*)...provides hedge against higher future tax rates
- 2- No forced distribution at 70 ½
- 3- You can pick the funds (*not limited by employer's fund managers*)

Negatives:

- 1- Contributions are made post-tax so no upfront tax benefit
- 2- Contribution limited to \$5,500 for under 50...\$6,500 over 50 (*earned income must be > contribution*)
- 3- Income limitations (AGI) of \$114-129k for Single and \$181-191k for MFJ
- 4- Contributions may be limited by other contributions (*ie-401k*)
- 5- No employer matching

STRATEGY: 401k/Roth IRA Contributions

-Contribute to your 401k up to employer match amount; and then contribute to a Roth IRA.

**Always have 6-12 month Safety Fund before contributing to retirement plans

- 1- Need to plan for unexpected expenses (*car maintenance, house repairs, etc.*)
- 2- Need to be able to access penalty-free cash at drop of hat for job loss, health problems, etc.