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Q: What are the most common types of retirement funds?

A: Traditional IRA, Roth IRA, 401k are the most commonly seen retirement funds for individuals

Q: What are the differences between each plan?

A: 401k plans are retirement savings plans sponsored by employers before taxes are taken out

A Traditional IRA is an individual account that allows an upfront tax deduction

A Roth IRA is an individual account that allows no deduction up front

Q: How do these plans effect taxes now and in the future?

A: 401k plans are pre-tax money and can reduce your taxable income by the amount contributed and it will be taxable upon withdrawal as taxable ordinary income

A Traditional IRA is tax deductible on state and federal returns for the year you make contributions and withdrawals are taxed at ordinary income rates

A Roth IRA provides no tax break for contributions throughout the year but withdrawals including earnings are tax free

Q: What are the contribution limits?

A: For 2019:

1. 401k maxes out at \$19,000 or an additional \$6,000 if over the age of 50
2. Traditional and Roth IRAs \$6,000 or \$7,000 if over the age of 50

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Q: Who is eligible to contribute?

A: For a 401k you must work for an employer that provides one

For a Traditional IRA you must have earned income but can only contribute up to age 70 ½

For a Roth IRA you must have earned income but can contribute at any age

Q: Are there contribution phaseouts?

A: For 401k plans there is a compensation limit based on annual income of \$280,000

For Traditional IRA accounts there are phaseouts dependent on status and income levels starting at \$64,000 for single and \$103,000 for married filing joint

For Roth IRA accounts there are phaseouts dependent on status and income levels starting at \$122,000 for single and \$193,000 for married filing joint

You can contribute to both a 401k account and one type of an IRA account (Traditional or Roth)

Q: Are there contribution deadlines?

A: Yes, for Traditional and Roth IRAs, contributions can be made up to April 15 of the following year. However, for a 401k the deductions are made from payroll deductions and reported on your W-2 therefore restricting you to the calendar year for contributions.

*These are the most common types of retirement accounts used by individuals. However, there are others that may be better suited for others depending on your personal situation such as, defined benefit plans or solo 401k plans. Please inquire with us for more details tailored to your needs.