



Retirement Accounts

The easiest way to retire with financial freedom, and in most cases as a millionaire is by letting your investments compound over the years in a tax-advantaged account.

ROTH 401(k) /

The Roth 401(k) is a newer employer-sponsored retirement plan that combines features of both the traditional 401(k) and the Roth IRA.

Contributions: For 2024, contribution limits are \$23,000/year if you are under 50 years old, and \$30,500 if you're 50 or older. This amount does not count the total that the employer can contribute/match. Contributions are after-tax.

Employer Matching: Many employers will match some or all of your contributions, essentially offering free money towards your retirement. The details of this matching will vary per employer.

Income Limits: There are no income limits to contribute to this account.

Taxes: Like the Roth IRA, contributions are made with after-tax dollars so investment growth and withdrawal at maturity are tax-free.

Withdrawals: Contributions can not be withdrawn without penalty, until the age of 59.5 years old. Earnings from contributions can also be withdrawn penalty-free at 59.5 years old, as long as the account is at least 5 years old.

TRADITIONAL 401(k) /

The traditional 401(k) slightly differs from the Roth 401(k).

Key Differences:

- Unlike the Roth 401(k), contributions in the traditional 401(k) account are made with pre-tax dollars, so the money is taken out before your paycheck is taxed.
- Withdrawals at maturity are taxed as ordinary income.

ROTH IRA /

The Roth IRA (Individual Retirement Account) is a personal retirement account you open and fund yourself.

Contributions: For 2024, contribution limits are \$7,000/year if you are under 50 years old, or \$8,000 if you're 50 or older. Contributions are after-tax.

Income Limits: If you earn too much, you may not be able to contribute. In 2023, the income limit for individuals is less than \$153,000 annually for those filing alone, and less than \$228,000 annually for those filing jointly.

Taxes: Contributions are made with after-tax dollars, so you don't get a tax deduction when you contribute. Investments grow tax-free, and withdrawals at maturity are also tax-free.

Withdrawals: You can withdraw contributions at any time without penalty. However, to withdraw earnings without tax and penalties, you must be 59.5 years old and must have had the account for at least 5 years.

TRADITIONAL IRA /

The traditional IRA is very similar to the Roth IRA, but not identical.

Key Differences:

- Unlike the Roth IRA, contributions in this account are made with pre-tax dollars.
- Traditional IRAs have no income limit.
- Impose a 10% penalty on early withdrawals of contributions and earnings.
- Withdrawals at maturity are taxed as ordinary income.

FAQs /

1. What happens to my retirement accounts if I change jobs?

If you change jobs, you will need to decide what to do with your retirement accounts. You can leave them in your old employer's plan, roll them over into an IRA, or roll them over into your new employer's plan.

2. What are the tax implications of converting a traditional 401(k) to a Roth 401(k)?

When you convert a traditional 401(k) to a Roth 401(k), you will have to pay taxes on the amount of the conversion. However, if you are in a high tax bracket now, converting to a Roth 401(k) could save you money on taxes in the long run.

3. What are the best investment options for my retirement accounts?

The best investment options for your retirement accounts will depend on your age, your risk tolerance, and your retirement goals. However, some good options to consider include index funds, target-date funds, and ETFs.

4. What are the penalties for withdrawing money from my account early?

There are penalties for withdrawing money from your retirement account before you reach the age of 59.5 years old. However, there are exceptions to these penalties, such as if you are using the money to pay for qualified education expenses, paying for medical expenses that are not covered by insurance, or if you are withdrawing contributions from a Roth IRA.

5. How much do I need to save for retirement?

There is no one-size-fits-all answer to this question. The amount you need to save for retirement will depend on your individual circumstances, such as your income, your expenses, and your retirement goals. However, a good rule of thumb is to aim to save 10-15% of your income for retirement.

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Other questions? Reach us 24/7 @ www.verotrade.net/contact-us