



Types of Retirement Accounts

- **401(k)**
 - A retirement savings plan sponsored by an employer
 - A feature of a qualified profit-sharing plan that allows employees to contribute a portion of their wages to individual accounts
 - Employers can contribute to employees' accounts
 - \$19,000 limit on the amount you can invest in the 401k
 - Lets workers save and invest a piece of their paycheck before taxes are taken out
 - You control how your money is invested
 - **Traditional 401k**
 - Wages are contributed before taxes
 - Taxable income drops by the amount you contribute
 - Pay income taxes on contributions and earnings upon withdrawal
 - No access to your funds before age 59 ½ or if you leave your employer at age 55 or older
 - **Roth 401k**
 - Contributions are made with money that's already been taxed
 - No taxes paid upon withdrawal
 - Free access to your money as long as you've held the account for 5 years
- **403(b)**
 - Used by nonprofit companies, religious groups, school districts, and government organizations
 - You can only invest in either annuities or mutual funds
 - Works the same as a 401k
- **Pension**
 - A retirement plan that requires an employer to make contributions into a pool of funds set aside for a worker's future benefit
 - Managed by the employer
 - Pay out steady income over the course of the retirement
 - **Defined-Benefit Plan**

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- Employer guarantees that the employee receives a definite amount of benefit upon retirement
 - Given an amount of monthly income in retirement
- **Defined-Contribution Plan**
 - The employer makes specific contributions for the worker, usually matching what the employees contribute
- **Annuity**
 - A financial product often offered by life insurance or financial services companies
 - They are many different types of annuities and not all are designed with your best interest in mind. Be sure to check with your fiduciary (a financial advisor who must put your financial interests first) before funding an annuity
 - Pays out a fixed stream of payments, usually for retirement
 - You fund the annuity either by a lump sum payment or through regular payments
 - Generally offer regular guaranteed payments on a fixed timeline
 - They are illiquid
 - Most annuities won't run out which is beneficial if you live longer than expected
 - The best way to think of an annuity is exchanging a large sum of money to receive guaranteed smaller sums over time
- **IRA**
 - Tax deferred until you withdraw your money
 - A maximum yearly contribution of \$6,000, \$7,000 if older than 49
 - You can contribute to a 401(k) plan and an IRA
 - May be tax deductible
 - Mandatory withdrawals after age 70 ½
 - It is important to note that when contributing to an IRA you are taking taxes out after your money has grown and will almost certainly pay more in taxes than with a Roth IRA
- **Roth IRA**
 - You contribute money after taxes are paid
 - You pay no tax on withdrawals after age 59 ½

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- You may contribute to both a Roth IRA and a traditional IRA
- **Health Savings Account**
 - To qualify you must have a high-deductible health insurance plan
 - You can save money tax-free to pay qualifying medical expenses
 - Maximum annual contribution \$3,500 for individuals, \$7,000 for a family, plus \$1,000 after age 55
 - While an HSA is not solely a retirement account it can help offset unexpected medical expenses or to supplement your income after age 65

Retirement Accounts for Employers/ Small Business

- **SEP IRA (Simplified Employee Pension)**
 - Most often used by the self-employed or by small businesses
 - The employer can contribute up to 25% of their and/or the employee's income or \$56,000 (2019) whichever is less
 - The plan is generally considered easy to set up
- **Simple IRA**
 - Allows business with less than 100 employees to set up IRAs with less paperwork and hassle
 - Employers can make contributes or match employee contributions
 - Maximum annual employee contribution \$13,000 (2019), \$16,000 if over 50
- **Solo 401(k)**
 - A 401k qualified retirement plan designed for employers with no full-time employees
 - Covers a business owner and his or her spouse
 - Total contributions cannot exceed \$56,000 per year
 - You cannot contribute to a solo 401k if you have employees

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