Retirement Savings Plans
Comparison

Employer-Sponsored	Roth IRA	Traditional IRA

Plan Type	Contributions	Withdrawals	Considerations
Employer-Sponsored	**401(k) contributions are pre-tax.** **Roth 401(k) contributions are post tax.** **Employer matches are always pre-tax.**	Taxed according to your tax bracket at age 59 1/2	Make it a goal to contribute up to your employer's match. If you leave your employer, your plan can: • Be withdrawn, but you need to consider tax withholding and potential tax penalties • Remain in place if your employer allows it • May be moved to an IRA • If it can be accepted, it may be moved to your new employer
Roth IRA	**Post-Tax Contributions** Limits are set by the IRS and determined by the tax year.	Tax-free at 59 1/2 and if the account has been open for 5 years	The IRS sets income limits for Roth eligibility. Know your MAGI (modified adjusted gross income) before contributing.
Traditional IRA	**Pre-Tax Contributions** Limits are set by the IRS and determined by the tax year.	Taxed according to your tax bracket at age 59 1/2	Depending on your income, your annual contributions may be tax-deductible.

Saving For Retirement

It's simple, but not easy.

There are a few steps to follow before you start saving for retirement. Your efforts at saving for retirement may be hindered if you don't start with the following steps: pay off debt, fully fund your Emergency Fund with 3-6 months of expenses, and follow a budget.

What Do I Envision For Retirement?

You've been taught to be practical, logical, and reasonable. You need to dream too. What are you retiring to? What are you passionate about? It's hard to know how much money you will need in retirement if you don't know what you want to do in retirement. If you aim at nothing, you'll hit it every time.

How Much Do I Need For Retirement?

We suggest that you base your retirement projections on your level of **spending** rather than on your **income**. Develop a plan for retirement and then develop a budget to reflect your plan. Following a budget is key.

How much should I be saving each month to meet my retirement goals?

If possible, invest 15% of your gross income into tax-advantaged retirement accounts. If you can't put away 15%, start at a smaller percentage and increase that percentage as your income and discipline grow. How you invest that money depends on whether your employers offers a savings plan and a company match. If you have the opportunity to participate in a match benefit, don't pass up the free money!

How much do my expenses affect my retirement picture?

We would argue that living expenses are one of the most impactful numbers when retirement planning.

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What are my options for saving for retirement?

- Tax-Deferred Plans
  - 401(k)s, and 403(b)s. These are employer-sponsored plans with annual contribution limits. Most employers offer a free match. Growth is tax-deferred until withdrawals are made at age 59 1/2.
  - IRA (Individual Retirement Arrangement): In some cases, contributions my be tax-deductible. The IRS sets annual limits for contributions.
  - SEPs (Simplified Employee Pension): This account is intended for business owners with one or more employees, anyone with freelance income.
- Post-Tax Plan
  - The Roth IRA offers tax-free growth. Contributions are made post-tax and limits are set by the IRS. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.

I'm behind on retirement savings. What suggestions do you have for catching up?

If you haven't started saving for retirement yet, it won't be easy but it can be done! There is no magic formula but here are a few places to start:

- Pay off debt quickly, curb your spending, work more (at least temporarily), downsize or relocate.
- Play catch-up with your retirement account contributions. In other words, save more and save harder. Beginning at age 50, the IRS will allow you to make annual "catch-up" contributions.
- Bank your raise! Keep your spending consistent with each raise and put your raise towards retirement.
- Consider delaying retirement

What mistakes should I avoid when I am saving for retirement?

Try to avoid instant gratification. If you only pay attention to your wants now, you'll struggle to provide for your needs later.

Additionally, avoid jumping on and off the roller coaster. The stock market has ups and downs. Investing is a long-term process.

Lastly, only assuming a best case scenario for investment returns, life expectancy, and inflation can be costly. Instead, consider a more conservative picture.
