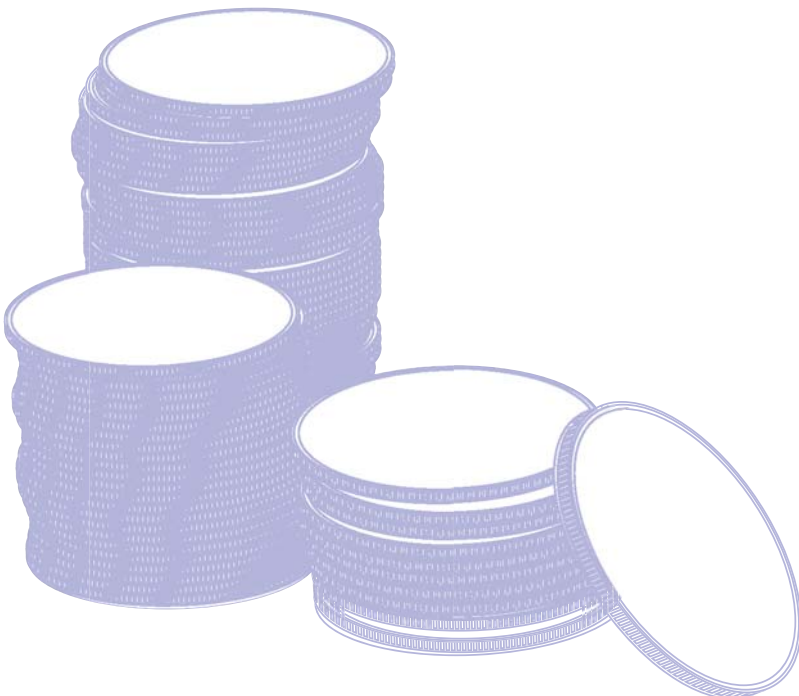


Planning Your Retirement: IRAs and 401ks

This overview of your IRA and 401k (403b) options is based on the most general rules and regulations; there are exceptions, for example, in cases of hardship. Please use this as a guide rather than as an absolute. This does not constitute the provision of trading or financial advice on our part.

Traditional IRA	Roth IRA	Traditional 401k	Roth 401k
Advantages			
<ul style="list-style-type: none"> ○ Tax savings at time of investment ○ If you are in a lower income tax bracket when you retire, you will pay less in taxes overall ○ You can invest in a wide variety of funds, bonds, and other options 	<ul style="list-style-type: none"> ○ Tax-free withdrawal on principal and all earnings ○ No minimum withdrawal requirements ○ You can invest in a wide variety of funds, bonds, and other options 	<ul style="list-style-type: none"> ○ If your employer matches any or all of your contributions, that's free money ○ Convenient—money is automatically invested from your income each pay period ○ Tax savings at time of investment 	<ul style="list-style-type: none"> ○ Tax-free withdrawal on principal and all earnings ○ If your employer matches any or all of your contributions, that's free money ○ Convenient—money is automatically invested from your income each pay period



Traditional IRA	Roth IRA	Traditional 401k	Roth 401k
Advantages			
		<ul style="list-style-type: none"> ○ If you are in a lower income tax bracket when you retire, you will pay less in taxes overall ○ You can borrow against your 401k in an emergency 	<ul style="list-style-type: none"> ○ You can borrow against your 401k in an emergency
Disadvantages			
<ul style="list-style-type: none"> ○ Minimum required distributed at 70 ½ may not fit in with your retirement plans ○ If you are in a higher income tax bracket when you retire, you will pay more taxes overall 	<ul style="list-style-type: none"> ○ Not everyone qualifies due to income limits 	<ul style="list-style-type: none"> ○ Minimum required distributed at 70 ½ may not fit in with your retirement plans ○ You can only invest in funds and other instruments offered the 401k chosen by your employer ○ If you are in a higher income tax bracket when you retire, you will pay more taxes overall 	<ul style="list-style-type: none"> ○ No initial tax benefit ○ Not all employers offer this option
Contributions			
Pre-tax dollars	Post-tax dollars	Pre-tax dollars	Post-tax dollars
Is Money Taxed When Withdrawn at or After Age 59 ½?			
Advantages			
Yes	No	Yes	No (provided you have had the account for at least five years)
2009 Contribution Limits (<=49 years old)			
\$5,000 total (that is, you can't put, say, \$4,000 in a traditional IRA plus \$2,000 in a Roth IRA)		\$16,500 total (that is, you can't put, say, \$14,000 in a traditional 401k plus \$5,000 in a Roth 401k)	
2009 Contribution Limits (>=50 years old)			
\$6,000 total (that is, you can't put, say, \$4,000 in a traditional IRA plus \$4,000 in a Roth IRA)		\$22,000 (if your employer allows "catch-up" contributions) total (that is, you can't put, say, \$14,000 in a traditional 401k plus \$12,000 in a Roth 401k)	
Employer Match			
Not applicable		Employer may put in extra money equaling some or all of your contribution; for example, some employers match up to 4% of your income Employer matches for Roth 401k go into pre-tax account	
Income-Based Phase-Out			
You cannot deduct all of your contributions if you make over \$55,000 (\$89,000 married filing jointly) You cannot deduct any of your	You cannot contribute to a Roth IRA if you have a modified adjusted gross income over \$120,000 (\$176,000 married filing	"Highly compensated employees" may have limits to contributions based on how much "non-highly compensated employees" contribute.	

Traditional IRA	Roth IRA	Traditional 401k	Roth 401k
Advantages			
contribution if you make over \$65,000 (\$109,000)	jointly); you can contribute a limited amount if you make less than that but over \$105,000 (\$166,000)		
Withdrawals/ Distributions			
May begin at age 59 ½; must begin by 70 ½; withdrawals are taxed as ordinary income	You can withdraw money without penalty from age 59 ½ on; there is no age at which you must withdraw money; withdrawn money is not taxed. You can also withdraw contributions—not earnings—without penalty before age 59 ½.	May begin at age 59 ½; must begin by 70 ½; withdrawals are taxed as ordinary income	May begin at age 59 ½; must begin by 70 ½ You can also withdraw contributions—not earnings—without penalty before age 59 ½.