

## Cheat sheet on the type of retirement accounts:

- Remember: If there is an “R” in an account's name... It is a “retirement account” AND there are special RULES. But not all Retirement accounts have an “R” in their name....

There are PRE-TAX retirement accounts like an employer's 401K account.

PRE-TAX Ex: If you gross \$50,000 per year and put \$5,000 a year in your PRE-TAX retirement account, you are taxed as IF you only grossed \$45,000 per year.

That \$5,000 can grow TAX-FREE with compound interest for many years!

IRA (Individual Retirement Account) Funded with PRE-Tax dollars as is the 401K. 403b (ex: teachers) & a 457 (gov. employee) accounts. These accounts lower your taxable income.

ROTH IRA: This is an AFTER-TAX dollar account that also allows your funds to grow with compound interests that YOU NEVER pay taxes on because this is money that you were already taxed on. Ok to be fair you NEVER pay taxes on it **IF**, you do not touch any of it for at least 5 years, and you need to be 59.5 years old before tapping into it. \* Roth accounts do have an income cap to be eligible. In 2023 and you are married filing jointly your income can not exceed \$228,000 per year and the max you can contribute is \$6500 per person if under the age 50, and \$7500 per person over age 50. There are also max limits for individuals filing single. When you sit with an expert at say Fidelity or any of the other major brokerage companies, they can go over the “rules” for your personal situation.

There are several different types of “retirement accounts” BUT they all have some of the same rules. Such as you need to be 59.5 years old to take money out to avoid higher taxes and or penalties.

Yes, there are ways to get at the money, BUT the rules are there to make it hard so that you are discouraged to NOT touch it!!! Keep it simple, just do NOT touch it!!! *It's like taking a cake out of the oven before it's done and eating it, just NOT*

*worth the calories!!! DON'T TOUCH IT! Oh, and this idea of borrowing from your own money and paying it back... STILL uncooked cake!! Don't do it!*

Brokerage accounts such as Robinhood, Acorn, E-Trade and several others. These accounts can also be with Fidelity or Vanguard, but **IF** they are not “classified” as a RETIREMENT account, they are a typical “brokerage” account. These accounts allow you to purchase things like index funds & fractional stocks. Let's take Robinhood for an example, and you buy some Disney stocks or some Index funds, you pay a capital gains tax when you “sell” it or part of it. Capital gains tax is lower on these items if you sell **after** one year of owning it. The tax rate is usually lower than your “income tax” rate, but you do pay taxes on your “gains”.

The taxes will be paid the following year and you will receive a 1099 form from Uncle Sam, saying IMPORTANT Tax Document enclosed. Keep this for your tax preparer.