



Retirement Planning: Roth IRA vs Roth 401(k) Comparison Grid

If you are wondering which type of Roth is right for you, the grid below summarizes the similarities and differences between a Roth IRA and Roth 401(k). Please remember a Roth 401(k) is only available as an offering from your place of employment (if they choose to provide this option) and the standard Roth IRA is available to anyone who qualifies:

	ROTH 401(K)	ROTH IRA
Maximum Contribution (2020)	Lesser of \$19,500 or 100% of compensation	Lesser of \$6,000 or 100% earned income
Catch-up contribution if age 50 or older (2020)	\$6,500	\$1,000
Who can contribute?	Any eligible employee	Only taxpayers who earn less than: <ul style="list-style-type: none"> • Single/Head of household = \$139,000 • Married (filing jointly) = \$206,000 • Married (filing separately) = \$10,000
Lifetime required distributions after age 70½?	Yes	No
Potential employer matching contribution?	Yes ¹	No
Federal bankruptcy protection	Unlimited	\$1,362,800 (all IRAs aggregated) ²
Loans available?	Yes, if plan permits	No

Five-year waiting period for qualified distributions?	Yes, from time you contribute to the plan ³	Yes, from time you contribute to ANY Roth IRA
Distributions⁴	Upon termination of employment, age 59½, hardship, disability, and death	Any reason
Qualified tax-free distributions⁴	59½, disability, and death	59½, disability, death, first-time homebuyer (up to \$10,000 lifetime)
Nonqualified distributions	Pro-rata distribution of tax-free contributions and taxable earnings	Tax-free contributions
Rollovers	To a Roth IRA, Roth 401(k), or Roth 403(b); from a Roth 401(k) or 403(b)	To and from a Roth IRA; from a Roth 401(k) or Roth 403(b); from a traditional IRA, 401(k), 403(b) or 457(b) ⁵
Investment Choices	Limited to investments offered by employer	Virtually unlimited ⁶

Sound Wealth Management Group (SWMG) can help you cut through the possible confusion and make the best choice for your goals. If you have questions or would like further information regarding traditional and Roth IRAs, we invite you to contact SWMG for a complimentary consultation. We can provide professional guidance to assist you in making the appropriate choices that will serve your needs and best interests. Let's have the conversation...

NOTES

- ¹ Employer contributions and earnings are taxable when distributed
- ² SEP/SIMPLE IRAs and amounts rolled over to an IRA from an employer qualified plan or 403(b) plan, plus any earnings on the rollover, aren't subject to this dollar cap and are fully protected under federal law if you declare bankruptcy
- ³ Or from the time you contributed to a previous employer's Roth 401(k) plan, if you rolled over your balance from that plan to the current plan

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- 4 Depending on plan terms. Taxes and potential penalties apply to earnings paid in a nonqualified distribution
 - 5 Taxable conversion
 - 6 Choices will depend on IRA trustee/custodian



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