

Investment Account Basics



Typical Employer Options

401k, Thrift Savings Plan, and 403b

- The 401k is for private sector employees; the Thrift Savings Plan is for federal employees, including service members; and the 403b is for non-profit employees.
- \$20,500 + match (combined \$61,000 limit or 100% of the employee's compensation), \$6,500 catch up contribution (age 50+) for 2022.
- Must be 59.5 to access or you'll pay a 10% penalty (unless you retire the year you turn 55 or older=[Rule of 55](#)) plus taxes (if traditional).
- [Required Minimum Distributions \(RMDs\)](#) start in April after you turn 72.

457(b)

- For state and local government employees, sometimes non-profits.
- Same limit as above but that includes any match (uncommon), same RMDs.
- Can max this account in addition to another account (401k, 403b, etc.).
- Can access the funds before 59.5 when you separate from the employer.

Individual Options

IRA

- Anyone with "earned income" qualifies (+[spouse](#)), subject to [income limits](#).
- \$6,000 annual limit, \$1,000 catch-up contributions allowed for those 50+.
- Withdraw penalty-free at 59.5 (10% penalty before). RMDs start at 72.

Roth IRA

- You can always access your contributions (not earnings) with no penalty.
- You can access earnings at 59.5+ as long as the account is [5 years old](#).
- If not eligible, as of early 2022 you may be able to do a "backdoor Roth".
- No RMDs, a great way to pass on wealth (10 years to empty account).

Small Business Options

SEP IRA

- Only the employer can contribute - up to 25% of compensation (\$61,000 limit).

SIMPLE IRA

- Employee contribution limit of \$14,000. Employer must also contribute, up to 3%.

SOLO 401K

- Only if business owner and spouse are the only employees.
- Employee contribution limit of \$20,500; employer can contribute up to 25% of compensation, shared contribution limit of \$61,000.

Taxable Brokerage Account

- No tax benefits; no contribution or access limits.

★ [SEPP exemption or 72t Rule](#) is another way to access some retirement funds before 59.5 without penalty.