Individual Retirement Accounts (IRA) vs. Employer Sponsored Plans

IRAs & company retirement accounts operate very similarly, but there are some important operational differences to be aware of. Below we'll discuss the differences between them.

2021 Contribution Limits		
Account Type	Aggregate Limit for Traditional & Roth	Catch-Up Limit for ages 50+
401(k) / 403(b)	$19,500	$6,500
IRA	$6,000	$1,000

Employer Sponsored Plans

* Established and maintained by your company
  * ⇒ Most common plan types are 401(k) and 403(b)
* Generally have a pre-set investment lineup to choose from
* Contributions have to be received within the plan year
  * ⇒ Traditional — contributed pre-tax and grows tax-deferred
  * ⇒ Roth — contributed after-tax and grows tax-free as long as you meet qualifying conditions
* Company may offer a match or other forms of employer contributions to boost your savings
  * ⇒ These contributions always go in pre-tax, regardless of which way you choose to contribute your money.
* Except for termination, withdrawals are subject to plan specific rules.

Individual Retirement Accounts (IRA)

* Opened independent of work
* Broad range of investment options to choose from
    ⇒ Self direct your portfolio or work with a financial professional
* Fully self-funded and can be contributed for the prior year up to your tax filing deadline, not including extensions.
    ⇒ Traditional IRA — contributions are tax deductible contributions & your earnings grow tax-deferred
        • Limitations on deductibility are imposed if you also have access to an employer sponsored account
    ⇒ Roth IRA — contributions are post-tax & your earnings can grow tax-free
        • Income limitations apply regardless of whether you have access to a retirement plan through your employer
* Can withdrawal your money any time
    ⇒ Traditional IRA — if taken before age 59.5, you're generally subject to regular income taxes and a 10% IRS penalty on both your contributions and earnings
    ⇒ Roth IRA — you can always take out what you contributed tax and penalty free, but any earnings withdrawn prior to having your account open for five years and attaining age 59.5 would be subject to regular income taxes and a 10% IRS penalty

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